DOCUMENT RESUME

ED 302 171 HE 022 123

TITLE Congressional Methodology: How It Affects Federal Student Financial Aid Eligibility. Hearing before the Subcommittee on Postsecondary Education of the Committee on Education and Labor, House of Representatives. 100th Congress, Second Session. Hearing held in Teaneck, New Jersey.

INSTITUTION Congress of the U.S., Washington, D.C. House Committee on Education and Labor.

PUB DATE 20 Jun 88

NOTE 99p.; Some pages will not reproduce well due to small print. Serial No. 100-84.

PUB TYPE Legal/Legislative/Regulatory Materials (090)

EDRS PRICE MF01/PC04 Plus Postage.

DESCRIPTORS *Eligibility; Federal Aid; *Federal Programs; *Government Role; *Grants; Hearings; Higher Education; Need Analysis (Student Financial Aid); Postsecondary Education; *Student Financial Aid; *Student Loan Programs

IDENTIFIERS Guaranteed Student Loan Program; Parent Loans for Undergraduate Students Program; Pell Grant Program; Perkins Loan Program; Supplemental Educational Opportunity Grants

ABSTRACT

A transcript is provided of the subcommittee hearing on the effect of Congressional Methodology (the system established to determine eligibility for federal student aid) on federal student financial aid eligibility. The statements of the following persons are provided: Francine Andrea, New Jersey Association of Student Financial Aid Administrators; Lorraine Andrews, parent; Michael J. Bennett, Brookdale Community College; Edward J. Bloustein, Rutgers; John Brugel, New Jersey Department of Higher Education; Theresa Cheresnowsky, student; Robert Donaldson, New Jersey Association of Independent Colleges and Universities; Vera King Farris, Richard Stockton State College; Michael S. Katz, University of Medicine and Dentistry of New Jersey; Martin A. Dallas, Jr., National Association of Student Financial Aid Administrators; and Eric Noehrenberg, recent graduate. Prepared statements, letters, and supplemental materials are also provided. (KM)

**********
* Reproductions supplied by EDRS are the best that can be made *
* from the original document. *
**********

ED302171

# CONGRESSIONAL METHODOLOGY: HOW IT AFFECTS FEDERAL STUDENT FINANCIAL AID ELIGIBILITY

## HEARING

BEFORE THE

SUBCOMMITTEE ON POSTSECONDARY EDUCATION

OF THE

## COMMITTEE ON EDUCATION AND LABOR HOUSE OF REPRESENTATIVES

ONE HUNDREDTH CONGRESS

SECOND SESSION

HEARING HELD IN TEANECK, NJ, JUNE 20, 1988

**Serial No. 100-84**

Printed for the use of the Committee on Education and Labor

U.S. DEPARTMENT OF EDUCATION
Office of Educational Research and Improvement
EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)
This document has been reproduced as received from the person or organization originating it.
Minor changes have been made to improve reproduction quality.
Points of view or opinions stated in this document do not necessarily represent official OERI position or policy.

U.S. GOVERNMENT PRINTING OFFICE
87-384 WASHINGTON : 1988

For sale by the Superintendent of Documents, Congressional Sales Office
U.S. Government Printing Office, Washington, DC 20402

HE C22 123-

BEST COPY AVAILABLE

## COMMITTEE ON EDUCATION AND LABOR

AUGUSTUS F. HAWKINS, California, *Chairman*

WILLIAM D. FORD, Michigan
JOSEPH M. GAYDOS, Pennsylvania
WILLIAM (BILL) CLAY, Missouri
MARIO BIAGGI, New York
AUSTIN J. MURPHY, Pennsylvania
DALE E. KILDEE, Michigan
PAT WILLIAMS, Montana
MATTHEW G. MARTINEZ, California
MAJOR R. OWENS, New York
CHARLES A. HAYES, Illinois
CARL C. PERKINS, Kentucky
THOMAS C. SAWYER, Ohio
STEPHEN J. SOLARZ, New York
ROBERT E. WISE, JR., West Virginia
TIMOTHY J. PENNY, Minnesota
BILL RICHARDSON, New Mexico
TOMMY F. ROBINSON, Arkansas
PETER J. VISCLOSKY, Indiana
CHESTER G. ATKINS, Massachusetts
JAMES JONTZ, Indiana
JAMES M. JEFFORDS, Vermont
WILLIAM F. GOODLING, Pennsylvania
E. THOMAS COLEMAN, Missouri
THOMAS E. PETRI, Wisconsin
MARGE ROUKEMA, New Jersey
STEVE GUNDERSON, Wisconsin
STEVE BARTLETT, Texas
THOMAS J. TAUKE, Iowa
RICHARD K. ARMEY, Texas
HARRIS W. FAWELL, Illinois
PAUL B. HENRY, Michigan
FRED GRANDY, Iowa
CASS BALLENGER, North Carolina

---

### SUBCOMMITTEE ON POSTSECONDARY EDUCATION

PAT WILLIAMS, Montana, *Chairman*

WILLIAM D. FORD, Michigan
MAJOR R. OWENS, New York
CHARLES A. HAYES, Illinois
CARL C. PERKINS, Kentucky
JOSEPH M. GAYDOS, Pennsylvania
TOMMY F. ROBINSON, Arkansas
CHESTER G. ATKINS, Massachusetts
AUGUSTUS F. HAWKINS, California
(Ex Officio)
E. THOMAS COLEMAN, Missouri
WILLIAM F. GOODLING, Pennsylvania
MARGE ROUKEMA, New Jersey
THOMAS J. TAUKE, Iowa
RICHARD K. ARMEY, Texas
JAMES M. JEFFORDS, Vermont
(Ex Officio)

# CONTENTS


Page

Hearing held in Teaneck, NJ, on June 20, 1988 ..... 1

Statement of

Andrea, Francine, president-elect, New Jersey Association of Student Financial Aid Administrators ..... 35

Andrews, Lorraine, parent of two students ..... 59

Bennett, Michael J., director of financial aid/veterans' affairs, Brookdale Community College ..... 45

Bloustein, Edward J., president of Rutgers, the State University of New Jersey ..... 17

Brugel, John, assistant chancellor, New Jersey Department of Higher Education ..... 4

Cheresnowsky, Theresa, student, Drew University ..... 61

Donaldson, Robert, chairman, New Jersey Association of Independent Colleges and Universities ..... 15

Farris, Dr. Vera King, president, Richard Stockton State College ..... 23

Katz, Michael S., university director of financial aid, University of Medicine and Dentistry of New Jersey ..... 40

Martin, A. Dallas, Jr., director, National Association of Student Financial Aid Administrators and member, Advisory Committee on Student Financial Assistance ..... 68

Noehrenberg, Eric, recent graduate, Princeton University and member, Student Assistance Board ..... 54

Prepared statements, letters, supplemental materials, et cetera:

Andrea, Francine L., president-elect, New Jersey Association of Student Financial Aid Administrators, prepared statement of ..... 37

Bennett, Michael J., director of financial aid/veterans' affairs, Brookdale Community College, prepared statement of ..... 47

Bloustein, Edward J., president, Rutgers University, prepared statement of ..... 20

Farris, Dr. Vera King, president, Richard Stockton State College, prepared statement of ..... 25

Hollander, T. Edward, chancellor of higher education, State of New Jersey, prepared statement of ..... 7

Katz, Michael S., university director of financial aid, University of Medicine and Dentistry of New Jersey, prepared statement of ..... 42

Martin, A. Dallas, Jr., president, National Association of Student Financial Aid Administrators, prepared statement of ..... 77

Noehrenberg, Eric, graduate, Princeton University, prepared statement of ..... 56

# CONGRESSIONAL METHODOLOGY: HOW IT AFFECTS FEDERAL STUDENT FINANCIAL AID ELIGIBILITY

MONDAY, JUNE 20, 1988

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON POST SECONDARY EDUCATION,
COMMITTEE ON EDUCATION AND LABOR,
*Teaneck, NJ.*

The subcommittee met, pursuant to notice, at 1 p.m. in the assembly room of the Student Union Center of Fairleigh Dickinson University, Teaneck, NJ, Hon. Pat Williams, presiding.

Members present: Representatives Williams, Hayes, Roukema, and Petri.

Staff present: Richard Jerue, Patricia Sullivan, Michael Lance, and Pamela Kruse.

Mr. WILLIAMS. I call this subcommittee to order. This subcommittee is continuing its undertaking of oversight hearings. Not only does this subcommittee create federal higher education programs, we then, of course, have the responsibility of making sure, or as sure as we can, that those programs operate as effectively as possible. That, of course, is termed, "oversight." Today, we're conducting an oversight hearing on what we refer to as Congressional Methodology. Although the term sounds somewhat ominous, it merely refers to how one determines the need for student financial assistance, needs analysis.

Under "needs analysis," the national information is collected from students and their families to determine how much they can reasonably be expected to contribute to the cost of attending college and that amount, of course, is then subtracted from the college cost to determine the need for student aid.

The Congressional Methodology is the system established, in statute, to determine eligibility for federal student aid. The methodology was included in the 1986 Higher Education Amendments. Prior to that time, there were a number of needs analysis systems used to determine ones need for student financial assistance. Quite often these different systems provided varying and confusing need determinations.

It was not unusual for the same family to be told that it had to contribute totally different amounts to college costs based merely on what needs analysis system was used and what federal assistance it was being applied for. As one can imagine, this caused a great deal of confusion, uncertainty and, as many members of Congress discovered, sometimes anger.

For almost a decade, Congress has supported the creation of a single system of needs analysis for federal programs.

The 1980 Higher Education Amendments required that such a system be developed, yet between 1980 and 1986, that did not happen. Finally, in 1986, the Congress, concerned with the lack of response to its requirements that such a system be developed, placed that system in the law. That is called Congressional Methodology.

It is based on several fundamental points. First, determinations of need for federal student aid programs should be uniform. Second, such determinations should be made by the federal government, since those decisions ultimately involve the distribution of federal tax dollars and finally, those determinations should be placed in the law where they can be decided by the elected representatives of the public.

The Congressional Methodology is not completely new, it contains many of the elements of the previously used systems of needs analysis, yet it is a change from the old way of doing business and as with any change, there may be some unforeseen problems that should be addressed. That is the reason for today's hearing.

The Congressional Methodology is beginning to go into effect. Some problems may be developing. We want to take a look at those, to explore the reasons for them and to determine whether the problems are real or perceived and to figure out, as best we can, if there is something that Congress should do to rectify them if they are real. We want to learn what impact the methodology is having and how it is affecting different types of students.

The Subcommittee, I am sure, will leave this hearing informed for we do have an excellent group of witnesses.

I want to thank my friend and colleague, Congresswoman Roukema—Marge and her staff for the time and effort, that you have devoted in putting this hearing together. Because of those efforts, we will have a chance today to hear from college presidents, financial aid administrators and from the people who are directly affected by a needs analysis decision, that is, students and parents.

We will also hear from two representatives of the Advisory Committee on Student Financial Assistance. This committee was created, by the Congress, to provide us with expert information on the intricacies of student aid, particularly on delivery issues as complex as needs analysis.

This is the first time, to my knowledge, that this group has informally appeared before the Congress, outside of Washington and I hope it represents a precedent that will be continued.

Congresswoman Roukema, we're delighted to be in your district. We appreciate your inviting us, particularly appreciate your leadership on this and other education issues. I know that you represent a state that has a long and grand tradition of care and concern with educating its people and I must say that you exude that concern as you represent your citizens here in the Congress.

Mrs. ROUKEMA. Thank you very much, Chairman Williams. We are delighted to have you here and Congressman Petri from the State of Wisconsin. By the way, Congressman Williams, for the record, is from Montana and I guess all of you are suffering from near drought, but we welcome you here today, to beautiful north-

ern New Jersey. We are a residential area, we are a family area that treasures higher education as the American dream.

I do want to make some observations that in view of the heat and the length of our agenda, I hope that they can be short but let me make some observations regarding this hearing and related subjects which is not directly on the agenda today but has been a part of our ongoing discussions in Washington and I think has an intimate relationship to the methodology discussions we will have today and that is the subject of loan defaults.

I bring the subject up, not only because we have had a series of three hearings in Washington in preparation for what we all hope is going to be a bipartisan bill to address the problem of defaults. But I raise the issue because it has been the subject of much discussion here in New Jersey with the recent release of a report by our Commissioner of Higher of Education indicating the default rate. I know this has been clearly outlined in the hearings that we have had in Washington. This is a problem of major and growing proportions and it may, indeed, be related in some respect to Congressional Methodology.

I raise the subject, not only because the size of that default rate is approaching an estimated $1.6 billion, which is no small amount of money. It is equivalent to, I believe, one third of the total annual amount spent on student loan program. But also, it represents a measure of eroding public support for all student programs and so we have to be very alert to the problem as we address this subject.

Some have suggested that the answer to the default problem is to increase the Pell Grant Program. I take a little different point of view of believing that we cannot necessarily throw good money after bad, we first have to understand the nature of the default problem before we can prescribe a remedy, whether it be increasing grants or redefining the Student Loan Program and who qualifies for those student loan programs.

I do want to go on to say that, in keeping with my promise to keep this short, I will not give my normal lecture that this subcommittee has heard before on the efficacy of work programs and study programs, but I will say, for this group here, to use a short form, I think working your way through college is as American as apple pie and I hope that whatever way we do approach the default and the methodology program, we will understand that this is a time honored tradition in American higher education and one that we will uphold and, perhaps extend and make it more possible.

The intent of this hearing now is to hear comments of those who are here with eminent credentials and to tell us exactly what their experiences have been and what their analysis is with this new Congressional Methodology. It is clear from the hearings that we have thus far had that institutions needed to have consistent methods for measuring the ability of families to contribute toward educational costs.

Need determination had to be systematized in some fashion as the Chairman has already pointed out. Under the old system of the uniform methodology, there were numerous questions that were raised and forced Congress to take action in 1986 in order to unify the approach. Although it said it was a uniform methodology, there seemed to be little uniform about it.

The question now is whether in approaching the problem we have over compensated or have created other methods and I think that is what we are here to determine today. Certainly our own institutions of higher education and those representing the loan grant groups as well as the students here today are going to give us their own perspective.

I want you to know that I initially approached the Chairman on this subject when we were first alerted by a case report in our own district office about a student who had been notified or alerted that although he had always qualified and nothing had changed, in terms of the family circumstances, under the new program, he did not qualify. Well, if that was his problem and as early on in the year, before the program really got under way, we felt that, perhaps, this was the first warning sign, and it was at that point that I approached the Chairman.

The Chairman very wisely said this is something that does need oversight hearings and that is what has brought us here today.

So, I just want to thank all of you who have come here. We are anxious to hear your testimony and without further ado, I will turn the gavel back to the Chairman.

Mr. WILLIAMS. Thank you gentlelady. The gentleman from Wisconsin and our colleague and friend on the Committee, Mr. Petri.

Mr. PETRI. Pat, I want to join in thanking you for scheduling this hearing in New Jersey and to say that I wanted to be here not only because of the impressive series of panels that has been gathered together—especially I look forward to hearing from my friend, Bob Donaldson, who leads a dynamic team here at Fairleigh Dickinson—but also because of the enormous respect that I and others in the Congress have for Marge Roukema. She is second to none, in Congress, in terms of depth of interest and experience in education as a teacher, a school board member, and a member of the House Education and Labor Committee during all of her years in the Congress and so this should be a very worthwhile hearing.

Mr. WILLIAMS. We have another colleague who will be joining us, Congressman Hayes from Illinois. I understand that he is on a later flight, but he will be here.

Our first four panelists to come forward and join us here at the witness table is Mr. Brugel, Mr. Donaldson, Mr. Bloustein and Ms. Farris.

Statements of all the witnesses will be entered in their entirety into our hearing record. You may proceed to present your full testimony or highlight it in any fashion that you wish.

We'll first hear from the Assistant Chancellor of the New Jersey Department of Higher Education, John Brugel.

## STATEMENT OF JOHN BRUGEL, ASSISTANT CHANCELLOR, NEW JERSEY DEPARTMENT OF HIGHER EDUCATION

Mr. BRUGEL. Thank you, Mr. Chairman, members of the Committee. Let me first welcome you to New Jersey. We're delighted to have you here. We think that we have a very important story to tell, as it relates to Congressional Methodology.

My name is John Brugel. I am the Assistant Chancellor, for Higher Education, for the State of New Jersey.

My responsibilities encompass the Student Assistance Programs. I am pinch hitting this afternoon for Ted Hollander, who is our Chancellor of Higher Education and has already submitted written testimony for the record.

I will tell you that we have responsibility to the Department of Higher Education for the State Guarantee Agency for a program of state grants and scholarships. The combination of these deliver approximately $300 million to our students.

The perspective I would share with you today I gained as an undergraduate where I received student assistance from Title IV programs and also as a graduate student. I have worked nearly two decades in the area of student financial assistance beginning in the community college, working at a land grant university, and now working within a state system.

My general observations are that the programs that we have, starting back in 1958 with the NVEA, are a complex mosaic and that when one aspect of it changes, indeed, there are aftershocks that are experienced.

The point that was made earlier that we had inexact findings with the previous methodology is perhaps debatable, but the point is that was a progression from where we had been prior. The Keppel Task Force, which reported out in the mid-seventies, gave us something that was uniform methodology which was better than what we had prior.

I would say that the idea of having a precise, uniform finding whether it is called uniform methodology or Congressional Methodology is certainly desirable. But what we need is a single application which delivers a single need analysis finding. Regrettably, the move to the Congressional Methodology is one that has caused the State of New Jersey to jettison the use of that national methodology because we find it so harsh for this upcoming academic year, we have had to break ranks, if you will.

Previously we felt it was very important to have single application and a single calculation of need and we found a need that was being used was reasonable. The Congressional Methodology, in our opinion, is not. Let me try and explain why.

We find that New Jersey collegiate undergraduates have lost $40 million in Pell Grants and loans during the last two years. They will lose an additional estimated $60 million in federal aid eligibility in the 1988-89 academic year due to Congressional Methodology. There is an irony here because we feel that while we have been able to successfully battle budget cuts, we feel as though we have begun to lose the war in Congress with reauthorization because of the loss of this aid eligibility.

Five years ago New Jersey collegiate undergraduates were receiving about the same amount of Pell and state grants. But this year we find that our state grant delivery is nearly twice that of the Pell program. Clearly there has been a shift and a change.

That is highlighted in the testimony that you have before you on page 7, the second graph which shows the amount of dollars in our public colleges with the guaranteed student loans.

Fortunately, the authorization on the reduced student loan eligibility in New Jersey public colleges for this group has been reduced by more than 50 percent, dropping from an estimated $14 million

to $4 million in one year. The Department of Higher Education estimates that federal student aid eligibility for New Jersey college undergraduates will be reduced due to CM by approximately 10 percent or $43 million. This constriction will affect nearly half of all our dependent students.

The difference of impact on that constituent is demonstrated in the testimony you have before you on page 9, the third graph, because there is a differential impact which shows the community colleges follow behind the 4 year public colleges by about a third and our independent sector institutions by an average of about $1,600. Clearly, a very substantial loss.

A major factor in this aid reduction in the CM is due to the approach to student earnings. What we have is a clear disincentive that has been introduced with the new methodology. We find that for the students who are willing to work harder and longer, that on a dollar for dollar basis, there is an aid reduction in their eligibility the succeeding years.

I would argue before the committee that need analysis is an inexact science and that the previous approach that was used didn't have student earnings for the dependent students as part of the main line calculations and I would urge the committee to look at that very carefully as to potential options and try and rectify the problem that has been created.

My recommendations will be simple, being merely to recognize that as currently configured, CM provides a very harsh evaluation of the family's ability to pay and secondly, that you draft the current Congressional Methodology student earnings treatment and return to the previous summer earnings expectations, with institutional discretion to adjusted earnings, expectations, either individually or collectively.

Thank you, Mr. Chairman.

[The prepared statement of T. Edward Hollander follows:]

Statement of T. Edward Hollander

Chancellor of Higher Education in New Jersey

on

# The Impact of "Congressional Methodology" on New Jersey College Undergraduates

Before the House of Representatives
Subcommittee on Postsecondary Education of the
Committee on Education and Labor

June 20, 1988

Three years ago I testified before this committee on the impact of the cuts in the federal student assistance programs proposed in the Administration's FY 1987 budget. At that time, I warned that the effect of adopting the Administration's budget proposals would be to reduce federal assistance available to New Jersey students by $100 million. Congress rejected those budget cuts, and the higher education community felt it had won another of the annual budget battles against the reduction of student aid. At the same time, the Reauthorization Act was being written and passed into law by Congress. We were too busy fighting the battles against the Administration's budget proposals to notice that we were losing the war in Congress through Reauthorization. By the end of the next academic year, New Jersey college students will in fact have lost $100 million in federal aid. They lost approximately $40 million in Pell Grants and student loans during the last two years; we estimate that they will lose an additional $60 million in federal aid eligibility as a result of the introduction of Congressional Methodology need analysis in academic year 1988-89.

Congress will not see the full extent of these losses in the Department of Education's aggregate expenditure reports because the impact will be selective. Traditional moderate and middle income dependent college undergraduates at lower cost public institutions will bear the brunt of the federal student aid losses. Their losses may very well be offset by substantial increases in aid eligibility for non-traditional self-supporting students and the rapid expansion of proprietary trade schools, where the combination of high fees and a population of low income students will assure the continuing growth of federal aid funds. In 1986-87, for example, when the Pell Grant awards were reduced in the moderate income ranges, New Jersey college students lost $10 million or 20% of funds available in the prior year; New Jersey proprietary trade schools lost one million; or 5%.

There is a striking difference between the State of New Jersey's continually growing commitment to student aid and the federal government's continual retreat from its responsibility for supporting access to higher education. Five years ago the amount of aid available to New Jersey college undergraduates through Pell Grants was about the same as that provided by state grants. This year the state was providing nearly twice as much aid to nearly twice as many students as the Pell Grant program. The difference is even more striking within some of the sectors: students at New Jersey independent colleges, for example, received four times as much aid from state grants as from Pell grants. The attached graphs of these differences speak for themselves.

We have also prepared a table which shows the difference in Pell Grant and New Jersey state grant eligibility by income distribution. New Jersey is a high income state - median family income will be approaching $40,000 this year. But it is also a

high cost of living state - it takes more money to be poor in New Jersey than elsewhere. The national need formulas do not take this into consideration. While Pell Grant eligibility drops sharply in the moderate income ranges under $30,000, New Jersey continues to provide tuition relief to over 90% of the applicants with family incomes under $30,000.

Before 1987 the only significant form of federal student aid available to families with incomes over $30,000 at public four year colleges were the Guaranteed Student Loans. This year Reauthorization required that the Expected Family Contribution in the loan program for all students had to be based on formulas that included assessments of family assets and student summer savings, which had previously been excluded for loan eligibility. The effect on dependent students at low-cost public colleges has been disastrous: loan eligibility at our public colleges has been cut in half; the amount of loan dollars available to students with family incomes over $30,000 at New Jersey public colleges has dropped from $14 million to $4 million in one year!

I will focus my remarks on the aspect of Congressional Methodology which will substantially reduce federal student aid eligibility for the traditional dependent college undergraduates from moderate and middle income families. This is a group for whom the problem is not access, but rather affordability. They are not poor, but they are hard-pressed to find the many thousands of dollars which we expect them to contribute to their children s college education. Federal policy already eliminated virtually all middle income students from the Pell Grant program years ago. The introduction of Uniform Methodology need analysis for all borrowers in the student loan program in 1987-88 has already eliminated about 20% of our student borrowers; at our low cost public institutions two-thirds of dependent students with family incomes over $30,000 lost their GSL eligibility this year. We estimate that the introduction of Congressional Methodology in the coming year will eliminate or reduce loan eligibility for another 40% of the dependent undergraduate borrowers still left in the program.

The major change introduced by Congressional Methodology for dependent undergraduates is that the student's portion of the "expected family contribution" will include actual student earnings in the prior calendar year. Under the current Uniform Methodology, actual student earnings are generally not taken into account; instead there is a fixed amount ($700 for freshmen, $900 for others) representing "summer savings" included in the expected family contribution. With Congressional Methodology, the $700/900 will be the minimum student contribution. If 70% of actual after-tax student earning exceeds this minimum, this becomes the new, higher student contribution. This generally means that any student who earns more than about $1,500 in the prior year will be eligible for less aid.

Last fall we considered using Congressional Methodology for determining state grant eligibility. The effect would have been to reduce our programs by $6 million and reduce awards for 40% of the dependent students. New Jersey will not use Congressional Methodology for its programs.

Earlier this year we simulated the effect of Congressional Methodology on the 67,000 dependent college undergraduates from New Jersey who were eligible for federal student aid. The effect was to reduce their aggregate aid eligibility by $43 million or 10%. About 45% of the dependent students were affected, losing an average of over $1,500 in federal aid eligibility as a result of Congressional Methodology. At our community colleges about half of the students will have their aid eligibility cut from an average of $3,100 to an average of $1,600 (almost 50% less). At our public four year colleges average awards will be cut by one-third, from $4,100 to $2,700.

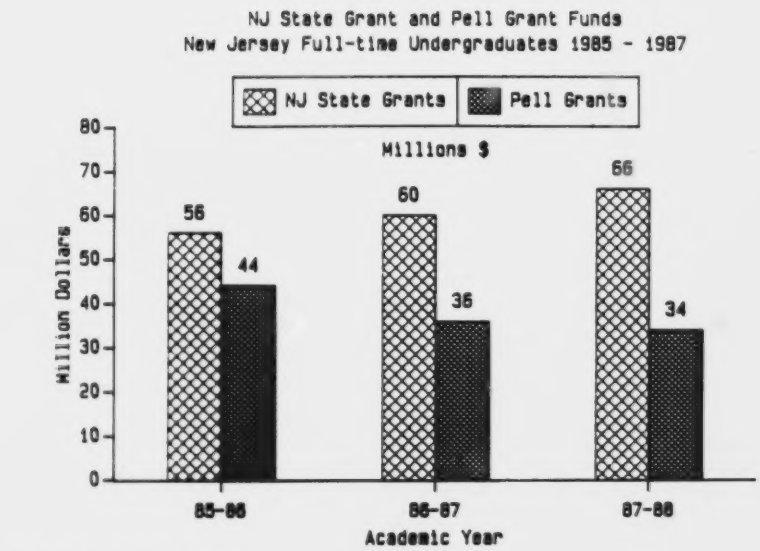
These early estimates were based on the student earnings reported on last year's aid applications, when this was not a required data element. On the applications received so far this year - where student earnings are required to be reported - we are finding that the impact will in fact be much greater. So far 60% of the state grant applicants are reporting earnings which increase their contributions and will reduce aggregate aid eligibility by about $60 million in the coming year.

The decision to assess actual student earnings instead of assuming a fixed $700/900 contribution was based on the notion that student earnings represent an untapped "available resource." Yes, well over half of our undergraduates do meet part of their college costs by working. Does that mean we should reduce the financial aid eligibility of those students who work harder to earn more? One of the patterns which we have found is that as family incomes go up, larger proportions of students work. The reason for this is that middle income students are eligible for little aid other than loans, so they must work more to meet their college expenses. With Congressional Methodology this becomes a no-win situation: the more the students earn to supplement their financial aid, the more their financial aid is reduced in the next year.

We need to recognize that both the "expected family contribution" derived from need analysis and the "educational costs" estimated by the colleges in formulating typical student budgets are not absolutes. They are reasonable approximations of the average costs and the average ability to pay, but they will vary substantially in individual cases. The system to determine need must have room for flexibility. Under Uniform Methodology we allowed that flexibility through student earnings, which were not assessed. If the family was unable to pay the "expected" amount or if actual expenses exceeded the typical student budget, then we allowed the students to make up the difference through work without reducing their aid eligibility. We also allowed them to qualify for student loans on the basis of a less rigorous assessment of need than for grant eligibility. We should return to that reasonable approach.

Thank you.

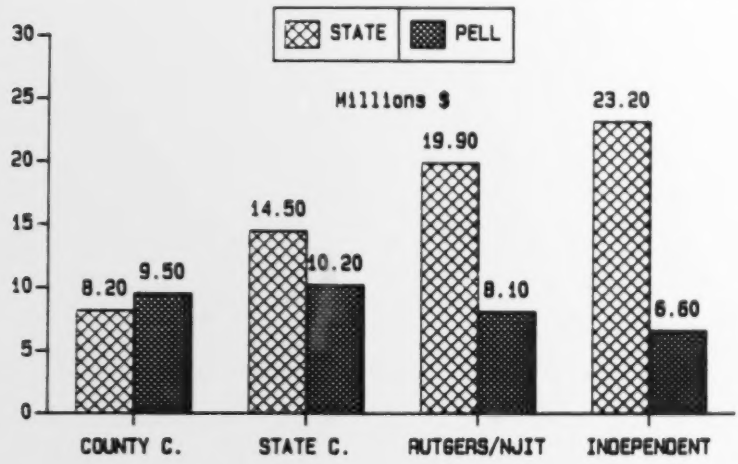
GRAPH I




| | | | |
|---|---|---|---|
| Number of State Grants | 40,000 | 37,000 | 37,700 |
| Number of Pell Grants | 25,000 | 24,000 | 22,500 |

GRAPH II

New Jersey State Grants and Pell Grants to Resident Full-Time Undergraduates 1987-8



STATE OF NEW JERSEY
NJ STATE GRANTS & PELL GRANT AWARDS
RESIDENT FULL TIME UNDERGRADUATES FALL 1987

15 19 FRIDAY MARCH 4 1988 4

OSA RESEARCH EXB CCC

| TOTAL | | VALID APPS | STATE GRANT AWARDS | PELL GRANT AWARDS | ELIGIBLE APPLICATIONS | | FAMILY MEMBERS IN COLLEGE | | TOTAL STATE GRANTS | TOTAL PELL GRANTS | TOTAL STATE GRANTS | TOTAL PELL GRANTS |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | STATE | PELL | STATE | PELL | | | | |
| | | N | N | N | % | % | AVG # | AVG # | AVG $ | AVG $ | MILLIONS $ | MILLIONS $ |
| STATUS | INCOME | | | | | | | | | | | |
| INDEPENDENT STUDENTS | UNDER 6000 | 5,412 | 5,387 | 4,734 | 100 | 87 | 1 0 | 1 0 | 1,877 | 1,810 | 10 128 | 8 567 |
| | 6000-12000 | 3,203 | 2,857 | 2,191 | 89 | 68 | 1 1 | 1 1 | 1,419 | 1,481 | 4 055 | 3 245 |
| | 12000-18000 | 1,818 | 752 | 823 | 41 | 45 | 1 2 | 1 2 | 1,135 | 1,164 | 0 853 | 0 958 |
| | 18000-24000 | 2,085 | 186 | 384 | 9 | 17 | 1 4 | 1 5 | 964 | 1,055 | 0 179 | 0 383 |
| | SUBTOTAL | 12,519 | 9,182 | 8,112 | 73 | 65 | 1 1 | 1 1 | 1,655 | 1,622 | 15 216 | 13 154 |
| DEPENDENT STUDENTS | INCOME | | | | | | | | | | | |
| | UNDER 6000 | 2,544 | 2,522 | 2,332 | 99 | 92 | 1 3 | 1 3 | 2,464 | 1,913 | 6 214 | 4 481 |
| | 6000-12000 | 3,838 | 3,800 | 3,315 | 99 | 86 | 1 4 | 1 4 | 2,385 | 1,825 | 8 985 | 6 051 |
| | 12000-18000 | 4,564 | 4,446 | 3,397 | 97 | 74 | 1 4 | 1 4 | 2,173 | 1,522 | 9 663 | 5 169 |
| | 18000-24000 | 4,492 | 4,286 | 2,768 | 95 | 62 | 1 4 | 1 5 | 1,878 | 1,148 | 8 051 | 3 180 |
| | 24000-30000 | 4,355 | 3,824 | 1,581 | 90 | 36 | 1 5 | 1 7 | 1,582 | 870 | 6 207 | 1 358 |
| | 30000-38000 | 3,918 | 3,181 | 585 | 81 | 15 | 1 5 | 2 1 | 1,410 | 852 | 4 486 | 0 498 |
| | 38000-42000 | 3,818 | 3,467 | 225 | 68 | 6 | 1 7 | 2 3 | 1,244 | 982 | 3 057 | 0 216 |
| | 42000 + | 10,810 | 3,817 | 191 | 37 | 2 | 2 1 | 1 8 | 883 | 1,584 | 3 849 | 0 304 |
| | SUBTOTAL | 37,843 | 28,533 | 14,375 | 75 | 38 | 1 5 | 1 5 | 1,770 | 1,478 | 50 515 | 21 240 |
| STATUS | | | | | | | | | | | | |
| INDEPENDENT STUDENTS | | 12,519 | 9,182 | 8,112 | 73 | 65 | 1 1 | 1 1 | 1,655 | 1,622 | 15 216 | 13 154 |
| DEPENDENT STUDENTS | | 37,843 | 28,533 | 14,375 | 75 | 38 | 1 5 | 1 5 | 1,770 | 1,478 | 50 515 | 21 240 |
| TOTAL | | 50,362 | 37,725 | 22,487 | 75 | 45 | 1 4 | 1 3 | 1,742 | 1,530 | 65 732 | 34 394 |

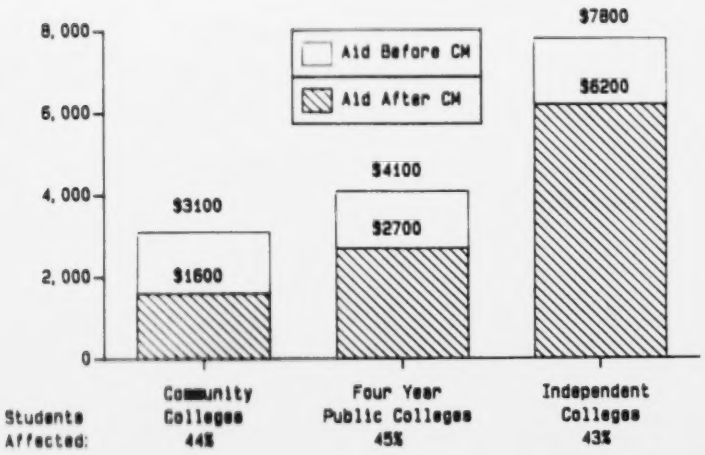




TABLE I

GRAPH III

New Jersey Dependent College Undergraduates
Average Eligibility for Student Aid Before and After Congressional Methodolgy



## STATEMENT OF ROBERT DONALDSON, CHAIRMAN, NEW JERSEY ASSOCIATION OF INDEPENDENT COLLEGES AND UNIVERSITIES

Mr. DONALDSON. Thank you, Mr. Chairman.

I am also President of Fairleigh Dickinson University, New Jersey's largest independent higher education institution, and it is my pleasure to be your host today and to welcome you to the Teaneck campus, which is the largest of our three New Jersey campuses.

Most higher education administrators would agree that sweeping changes in student financial aid resulted from the reauthorization of the Higher Education Act in 1986. Clearly the intent of reauthorization was to streamline the financial assistance process and make it more equitable for students and their families. However, after 18 months of attempting to work through the maze of reauthorization, specifically Congressional Methodology, professional judgment and numerous technical amendments, we at Fairleigh Dickinson University wonder if the goals of reauthorization have indeed been met. Some financial aid recipients will soon enjoy the fruits of Congressional Methodology while many others will mourn the loss of the uniform methodology formerly used to determine student financial need.

The object of my brief comments today is to share FDUs observations and experiences since the passage of the reauthorization and the introduction of Congressional Methodology. We see the impact mainly in terms of student eligibility, treatment of student earnings and inequities in the treatment of veterans benefits.

My first point is that Congressional Methodology has created major shifts in student eligibility. For example, on the average each dependent student in FDUs population for the 1988-89 academic year will be required to contribute toward college expenses an additional $1,050 from base year earnings over and above the $700 to $900 previously required. This higher requirement will render some students ineligible for certain aid programs.

At the same time, greater numbers of independent students with dependents and married students will become eligible for such programs. Because 85 percent or more of financial aid recipients at our university are dependent students and the majority of these students are employed on a part time basis to supplement family and educational expenses, Congressional Methodology will hurt the large majority of our aid applicants.

One case at FDU serves as a good example of the effects of Congressional Methodology on the dependent student. Let's call this student John. In 1986, John's family earned $27,974. John's own income was $4,524. His total financial aid package amounted to $8,925. In 1987, his family income dropped to just under $19,000 and his own income rose slightly to just over $5,000. Now one would think that his total aid package would be increased in some proportion to the reduction in total family income. This did not happen. Instead, using Congressional Methodology, John's aid package for 1988-89 amounted to $7,500, a reduction of $1,425.

Unfortunately there are many other FDU students whose financial aid will be similarly reduced even in light of a reduction in total family resources. A major source of funds for many middle

income FDU students has been the Stafford Student Loan Program, formerly known as The Guaranteed Student Loan.

While borrowing levels have increased, the reauthorization requires that eligibility determination be made under the more restrictive guidelines of Congressional Methodology, using this form of needs analysis, after you project a loss of approximately $2 million in Stafford Student Loan Program funding, and that is going to have to come from our own institutional funds.

Second, the use of base year earnings to compute the requirement contribution for dependent and independent students is, in many instances, impractical for transitioning from high school to college, or for the large number of FDU students moving from full time work to post secondary or graduate education. Base year earnings, in most cases, do not accurately predict academic year earnings. Projected academic year earnings should be used to determine a realistic student contribution.

To illustrate, let's take the case of a second FDU student, Anna. She left her job as a full time secretary earning $22,000 a year to return to school full time. Her projected earnings this coming academic year from part time work are $4,000 and yet her required contribution for aid purposes is figured unrealistically on the basis of the $22,000 salary.

Of course, professional judgment introduced in the reauthorization has given financial aid administrators greater flexibility in determining student eligibility. It's a commendable tool in that the financial aid officers expertise can be utilized in individual cases such as John's and Anna's for general implementation if the Congressional Methodology needs analysis formula doesn't result in a true representation of the students real need.

But, I must note that professional judgment is a labor intensive and costly process at FDU, given the large number of students who must be reevaluated under this process.

Moreover, since there are no uniform guidelines concerning the exercise of professional judgment, some aid administrators may be hesitant to use it.

Third, Congressional Methodology's treatment of veterans' benefits is inconsistent from one Veterans' Administration program to another. As it stands, only 3 of the numerous VA programs are included in the Congressional Methodology Formula. As a result, the Aid Officer must determine for each individual package, what portion of benefits were included in the needs analysis and what portion must be used as a resource.

In closing, I will summarize these issues with respect to Congressional Methodology in that, in our view, they need redress. We need to see relaxation of Stafford Student Loan Needs Analysis Guidelines to enhance middle income student participation. Equitable methods to determine the dependent students level of need. The elimination of base year earnings and the reintroduction of projected earnings for the determination of needs and clear and consistent treatment of veterans benefits.

The reauthorization and Congressional Methodology could be steps in the right direction, as far as streamlining and making the financial aid process equitable and fair.

I am sure that Congress did not anticipate the extent to which its reform efforts would harm certain groups of students and I would submit to you that your original goals and objectives can still be accomplished if the aforementioned inequities are effectively addressed. Thank you.

### STATEMENT OF EDWARD J. BLOUSTEIN, PRESIDENT OF RUTGERS, THE STATE UNIVERSITY OF NEW JERSEY

Mr. BLOUSTEIN. Thank you very much, Mr. Chairman, lady and gentlemen of the committee, I am very pleased to be here as a representative of The State University of New Jersey.

You asked about the impact of Congressional Methodology and my views on the future of federal financial aid and I have to confess it's unlike my colleagues here today, we are not prepared yet to make a statement as to what the impact of the new Congressional Methodology will be on our students. We think that our incapacity to make a prediction is in part a function of the Congressional decision to implement its methodology without previous testing.

It's also a function, as I'm sure you're well aware, of the complexity of the three grant and three loan programs, college work study, and the several efforts in graduate assistance which now constitute federal student assistance.

Legislation over the years has so encumbered these programs and regulations have done likewise, so it has become impossible to predict the impact of change on their structure or on the student, as far as we're concerned.

Now these aid programs were put together, as you know better than I, over a period of time, one without regard to another and they are now difficult now to understand, expensive to administer and leave many of our students with an unconscionable level of debt.

I think that Congressional Methodology is a symptom, rather than anything else and I urge that Congress no longer mend and patch these programs, but that you use the next reauthorization to start afresh, write on a clean slate. I am certain that my presidential colleagues throughout the country and in the financial aid community will have much to say about student aid as you begin that reauthorization process, and that is where I look forward to many of the difficulties referred to here this morning being remedied.

I would like to turn, for the rest of my testimony this morning, briefly, to the subject that Congresswoman Roukema raised and that is the work requirements in the pending system and I would like to make what might be a radically new departure in that regard.

I would like to suggest that the committee consider some form of mandatory community service program for all students as part of the financial aid program.

Higher education already, as many of you know, makes important contributions to teaching the virtues of sharing and caring but I propose that we do more. I propose that we look at community service as a necessary component to the learning experience which a college education should provide.

I am proud as can be of the several hundred Rutgers students who now work in the Rutgers Community Outreach Program, tutoring students in the inner city schools, assisting in hospitals, serving meals to those who cannot serve themselves, acting as tour guides at local museums and engaging in many other forms of community service.

I urge that we consider going one step further by making service to others a requirement of the undergraduate degree by tying the administration and financial support of the program into the financial aid structure of colleges and universities.

Now I am sure that everyone will agree that community service would contribute greatly to the communities in which our colleges and universities live and are nourished. In these terms, student commitment to community service would constitute a partial return to the common weal of what they receive.

Such service, as part of an undergraduate education would have a broader significance, however. It would constitute a valued ingredient of liberal education.

It would help educate our students to the world of the sick and the aged and the world of the deprived and the disposed, a world which looms before us and which we can no longer continue to neglect, except at our moral and political peril.

Even if we are to suppose that some portion of the student body might undertake it unwillingly, without compassion or with disdain for its ethical qualities, it would find justification in the expansion of the horizons of feeling and experience that it would afford.

Would it be very different from requiring our students to read and write in terms that some of them will never thereafter have need or appreciation for.

Why not an introduction into social and cultural literacy reflecting our time and place as well as an introduction into mathematical, aesthetic, or historical analysis?

I want to make it clear, I am suggesting that community service programs would be organized separately on each qualifying campus in the country, not a single national program administered at the federal level. It would take place during the course of an undergraduate education and not constitute a new commitment of another period of time in the lives of our students. It would be required as a condition of graduation for all students but might serve as a work study requirement for all students on financial aid. It could then be justifiably administered and financed, in part, by financial aid funds.

Now, I have not thought through all the implications of such a program of community service nor have I fully considered how it would relate to financial aid programs in the nation.

It does seem worthwhile to me, however, that we consider, as part of our financial aid structure, a requirement of work and that this work might take the form of community service. This represents the kernel of what I propose in this regard.

I respectively suggest that this Committee establish a commission of distinguished citizens, served by competent staff, to address in detail the theory and implementation of the kind of program of

community service tied to our financial aid system, which I have proposed here today.

Mr. Chairman, I would be happy to answer any questions you might have.

[The prepared statement of Edward J. Bloustein follows:]

TESTIMONY TO THE SUBCOMMITTEE ON POSTSECONDARY EDUCATION
HOUSE COMMITTEE ON EDUCATION AND LABOR

June 20, 1988

Mr. Chairman:

I am Edward J. Bloustein, President of Rutgers, The State University of New Jersey.

You have asked about the impact of Congressional Methodology on Rutgers students and for my views on the future of federal student aid.

I cannot provide a precise statement on what changes will come to our students from the recent policy decisions you and your colleagues have made in legislating Congressional Methodology. This University, together with much of the national higher education community, estimates some decrease in student eligibility, but further information must wait until September when you and our students, together, learn for the first time what Congressional Methodology has accomplished.

This lack of precise information is, in part, a function of the Congressional decision to implement its Methodology without previous testing.

It is also a function of the complexity of the three grant and three loan programs, College Work Study, and the several efforts in graduate assistance, which now constitute federal student assistance. Legislation and regulations have so encumbered these programs that it has become impossible to predict the impact of change on their structure or our students.

These aid programs were put together over time, one without regard to the other. They are now difficult to understand, expensive to administer, and leave many of our students with an unconscionable level of debt.

Congressional Methodology is a symptom and I urge that Congress no longer mend and patch these programs but use its next reauthorization to start fresh.

I am certain that my Presidential colleagues and our associations will have much to say about student aid as you begin the reauthorization process.

I would now like to turn to what would be a radically new departure in financial aid administration. I suggest that the Committee consider some form of mandatory community service program for all students as part of the financial aid program.

Higher education already makes important contributions to teaching the virtues of sharing and caring, but I propose that we do more. I propose that we look at community service as a necessary component of the learning experience which a college education should provide.

I am extremely proud of the several hundred Rutgers students who now work in the Rutgers Community Outreach program--tutoring students in the inner city schools, assisting in hospitals, serving meals to those who cannot serve themselves, acting as tour guides at local museums and engaging in many other forms of community service. I urge that we consider going one step further by making service to others a requirement of the undergraduate degree and by tying the administration and financial support of the program into the financial aid structure of colleges and universities.

Everyone would agree, I am sure, that community service would contribute greatly to the communities in which our colleges and universities live and are nourished. In these terms, student commitment to community service would constitute a partial return to the commonweal of what they received from it.

Such service as part of an undergraduate education would have a broader significance, however. It would constitute a valued ingredient of liberal education. It would help educate our students to the world of the sick and the aged, the world of the deprived and dispossessed, a world which looms before us and which we can no longer continue to neglect except at our moral and political peril.

Even if we were to suppose that some portion of the student body might undertake it unwillingly, without compassion, or with disdain for its ethical quality, it would find justification in the expansion of the horizons of feeling and experience it would afford. Would it be very different from requiring our students to read and write in terms some of them will never thereafter have need or appreciation for? Why not an introduction into social and cultural literacy, reflecting our time and place, as well as an introduction into mathematical, aesthetic, or historical analysis?

I want to make it clear that I am suggesting a community service program which would be organized separately on each qualifying campus in the country, not a single national program administered at the federal level. It would take place during the course of an undergraduate education, and not constitute a new commitment of another period of time in the lives of our students. It would be required as a condition of graduation for all students, but might serve as a work-study requirement for all students on financial aid. It could then be justifiably administered and financed, in part, by financial aid funds.

I have not thought through all the implications of such a program of community service; nor have I fully considered how it would relate to the financial aid program of the

Nation. It does seem worthwhile to me, however, that we consider as part of our financial aid structure a requirement of work, and that this work might take the form of community service. This represents the kernel of what I propose.

I suggest that this Committee establish a commission of distinguished citizens served by a competent staff to address in detail the theory and implementation of the kind of program of community service, tied to our financial aid system, which I have proposed here today.

I am happy to take your questions.

Edward J. Bloustein
President
Rutgers, The State University of New Jersey
June 20, 1988

## STATEMENT OF DR. VERA KING FARRIS, PRESIDENT, RICHARD STOCKTON STATE COLLEGE

Dr. FARRIS. Thank you, Mr. Chairman. I too wish to say how very pleased I am that you are here to hear the testimony on this very important topic.

What I have to say will not differ substantially from my colleagues, although because of the differences in my school, some of the impacts are slightly different.

I am pleased to address the Committee today, not only as the President of Stockton State College, but also as a member of the New Jersey Student Assistance Board which oversees our state grant and scholarship programs. In both of these capacities, as President and on that Board, I can speak with pride of our achievements in providing access and opportunity through affordable tuition and generous state financial aid to a variety of students of different ages, backgrounds and entering levels of ability.

First, let me speak as a college president for a minute and tell you about the federal student aid decline at Stockton State College, especially over the last three years. We have about 3,950 full time undergraduates this year, an increase of about 200 students since 1985. Ours is one of the colleges that are showing an increase in students while at the same time increasing the SAT and the minority population in our schools. So, it has been very significant to us to look at how to go about helping these students find a way to pay tuition and to come to school.

In 1985, about 800 of these students received Pell Grants. This year, only about 650 Pell Grants were received. In 1985, over 1,000 Stockton students were eligible for Guaranteed Student Loans. This year that number was cut in half to about 500 students. Three years ago, my students had about $3.7 million available in federal student aid funds; this year with 200 more students paying higher costs, these students were eligible for $1.5 million less in federal aid. About $200,000 of those dollars were lost in Pell Grants and the rest in student loans. Three years ago, 500 students at Stockton, with family incomes over $30,000 qualified for student loans. This year there are less than 200 left in the student loan program. Have all of these students become less needy overnight? The State of New Jersey doesn't think so. Three years ago, the state provided over $1 million in grant aid to about 1,000 students and this year, they added $200,000 more to that in order to offset the local problems.

The major New Jersey student aid program is the Tuition Aid Grant, the TAG program. The maximum awards in the program are adjusted annually to cover full tuition at all public colleges for low income students. In the coming year, New Jersey will be providing full tuition TAG grants to students who can qualify for only $400 in Pell Grant aid. New Jersey, on the other hand, will be providing $400 TAG grants at our public 4 years institutions to students who will no longer even be eligible for federal student loans.

The eligibility criteria for dependent students in the Tuition Aid Grant program have been based on uniform methodology need analysis, because we believe it is a fair system. Last fall, the Student Assistance Board debated for quite awhile whether to adopt

the congressional method for its New Jersey Grant Programs. The analysis by the Department of Higher Education showed that if we did so, 40 percent of our current dependent TAG recipients would have had their awards reduced or eliminated entirely next year. The total loss to students would have been about $6 million or about 15 percent of the funds available to the students. Of course we will not do this and will not adopt the Congressional Methodology.

The main problem has been stated by colleagues as being created by assessing prior year student earnings instead of assuming a flat $700 to $900 summer savings contribution. The more the student has earned to help pay for college, the more that student's money is reduced through the congressional method. This is not a brilliant way to inspire a work ethic among our young people, particularly those poor and minorities who have never had the experience of learning what the great American work ethic is all about.

It is bad enough that the congressional method has created a system that punishes students for trying to help themselves and their parents by working and earning more during the summers and while attending school. The really invidious aspect of the new financial aid system is that it will not allow colleges, states, foundations or anyone else to supplement the maximum allowable aid determined by the federal need formulas. The "need" determined by Congressional Methodology is fixed. If we want to give additional aid from non-federal sources, then the federal aid must be reduced by the same amount. This is devastating to many of the students.

To give you an example, at Stockton, we have a plan to allocate a $100,000 of college funds for tuition relief programs to supplement the available federal and state aid. One half of the funds would be awarded as merit scholarships, the other half to the disadvantaged students under the EOF program. In many cases the only way we can award these additional funds to students is by not giving them any campus based federal aid. Otherwise, we would be forced to use the congressional method which would produce an expected family contribution larger than the amount of the tuition relief which is intended to reduce the family's contribution in the first place. I urge you to go back to the fixed $700 to $900 summer savings contribution. Even more important, you must remove the strait jacket from the financial aid system by allowing colleges to determine an expected family contribution appropriate for their students.

In ending, you must allow us to return to a financial aid system which gives colleges the right to exercise a certain amount of discretion through general policies rather than just on a case by case basis. We understand that you allow the professional judgment, but our quest for financial aid, particularly in the public colleges, is very small. I, for one, have 3 professional staff members and there is no way that they can go through the thousands of financial aid applications which must be processed on a case by case basis in the manner that would be required through the congressional method. At a large university, the task would be unthinkable. Thank you very much.

[The prepared statement of Dr. Vera King Farris follows:]

**Statement of Dr. Vera King Farris**

**President, Richard Stockton State College**

**on**

**The Effects of Congressional Methodology**

**On Student Assistance**

Before the House of Representatives
Subcommittee on Postsecondary Education of the
Committee on Education and Labor

June 20, 1988

I have the privilege of addressing this committee both as the president of Stockton State College, and as a member of the New Jersey Student Assistance Board which oversees our state grant and scholarship programs. In both capacities I can speak with pride of our achievements in providing access and opportunity through affordable tuition and generous state financial aid to a wide variety of students of different ages, backgrounds, and entering levels of ability. Someday I hope to be able to speak with equal pride of a growing federal commitment to higher education through a student assistance policy that supports the efforts of colleges and states to maintain affordable educational opportunities.

Let me speak as a college president for a moment and tell you about the federal student aid decline at Stockton State College in just the last three years. We have about 3,950 full-time undergraduates this year, an increase of about 200 students since 1985. In 1985 about 800 of these received Pell Grants; this year there were only about 650 Pell Grants. In 1985 over 1,000 Stockton students were eligible for Guaranteed Student Loans; this year that number was cut in half to about 500. Three years ago my students had about $3.7 million available in federal student aid funds; this year 200 more students, paying higher costs, were eligible for $1.5 million less in federal aid. About $200,000 was lost in Pell Grants and the rest in student loans. Three years ago 500 students at Stockton with family incomes over $30,000 qualified for student loans; this year there are less than 200 left in the student loan program. **Have all of these students become less needy overnight?** The state of New Jersey doesn t think so. Three years ago the state provided over $1 million in grant aid to about 1,000 Stockton students, and this year they received $200,000 more.

The major New Jersey student aid program is the Tuition Aid Grant (TAG) program. The maximum awards in the program are adjusted annually to cover full tuition at all public colleges for low income students. In the coming year New Jersey will be providing full tuition TAG awards to students who can qualify for only $400 in Pell Grant aid. New Jersey, on the other hand, will be providing $400 TAG grants at our public four year institutions to students who will no longer even be eligible for federal student loans!

The eligibility criteria for dependent students in the Tuition Aid Grant program have been based on Uniform Methodology need analysis, because we believe it is a fair system arrived at by a broad consensus of the national financial aid community. Last fall the Student Assistance Board had to decide whether to adopt Congressional Methodology for New Jersey grant programs. The analysis by the Department of Higher Education showed that if we did so, 40% of our current dependent TAG recipients would have

had their awards reduced or eliminated entirely next year. The total loss to students would have been over $6 million or about 15% of the funds currently available. Of course we will not do this, and we will not adopt Congressional Methodology.

The main problem, as you know, has been created by assessing prior year student earnings instead of assuming a flat $700/900 summer saving contribution. The more the student has earned to help pay for college, the more you reduce that students' aid eligibility. **What a brilliant way to inspire a work ethic among our young people!**

It is bad enough that Congressional Methodology has created a system that punishes students for trying to help out their parents by working and earning more during the summers and while attending school. The really invidious aspect of the new financial aid system is that it will not allow colleges, states, foundations or anyone else to supplement the maximum allowable aid determined by the federal need formulas. The "need" determined by Congressional Methodology is fixed. If we want to give additional aid from non-federal sources, then the federal aid must be reduced by the same amount.

This year at Stockton, for example, we have a plan to allocate $100,000 of college funds for a tuition relief program to supplement the available federal and state aid. One half of the funds will be awarded as merit scholarships, the other half will be used to cover the college costs of some of our neediest disadvantaged students in the Educational Opportunity Fund program without requiring them to borrow. In many cases the only way we can award these additional funds to students is by <u>not</u> giving them any campus-based federal aid; otherwise we would be required to use Congressional Methodology which would produce an Expected Family Contribution larger than the amount of the tuition relief which is intended to reduce the family's contribution in the first place.

Perhaps you find this as bewildering as I do. It all boils down to this: a system has been created that won't allow students to help themselves and won't allow colleges to help students beyond some imaginary and arbitrary federal definition of "need." The unfathomable formulas which supposedly take into consideration every particular family circumstance to produce the exactly correct Expected Family Contribution - down to the last dollar - are in fact based on totally arbitrary assumptions.

Expected Family Contributions and Student Aid Indexes are nothing more than devices to ration limited funds. Since Congress will not increase student aid funds to keep up with rising college costs, aid must be rationed out in smaller doses to fewer students. That, of course, is the real purpose of the Congressional Methodology's assessment of dependent student earnings. I don't agree with it, and I urge you to go back to the fixed $700/900 summer savings contribution. Even more important, you

must remove the straitjacket from the financial aid system by allowing colleges to determine an Expected Family Contribution appropriate for their students. Congressional Methodology should be used only as another aid index to determine eligibility for the federal programs, not as a way to prevent us from helping students more than the federal government feels is necessary.

Of course, you have given us some flexibility through the exercise of "professional judgement," which is helpful in individual cases. But you must realize that our small financial aid offices are already overworked and barely able to keep up with the constant changes in program regulations. Even at a midsized college like Stockton, it is simply not feasible to review in detail every one of the thousands of financial aid applications which must be processed. At a large university the task is unthinkable.

You must allow us to return to a financial aid system which gives colleges the right to exercise a certain amount of discretion through general policies rather than just on a case by case basis.

Thank you.

Mr. WILLIAMS. Thank you. I want to recognize the presence of Congressman Hayes, who I mentioned would be here shortly after the hearing started. Sure enough, we're delighted to have you with us Charlie.

Let me turn first for questions to my colleague from New Jersey.

Mrs. ROUKEMA. Mr. Chairman, thank you.

Doctor Bloustein, let me ask a clarification. Has Rutgers not yet made an estimate or do we have some kind of indication of the kind of student that would be affected here?

Mr. BLOUSTEIN. We have a preliminary estimate that there will be some significant impact. We cannot give, at this juncture, we cannot give a precise figure.

Mrs. ROUKEMA. Do you have an understanding—and I'm going to ask this question of all four of our panel here—do you have some understanding of the default rate that comes from your graduates and whether that has been steadily increasing or on the decline?

Mr. BLOUSTEIN. We think our default rate is relatively modest and that it has been relatively stable.

Mrs. ROUKEMA. Doctor Brugel, I was wondering if you can give just a brief report on what you have found to be the problem in New Jersey and how New Jersey attacked the problem on the default rate?

The reason I am going into the default rate is because I just think we have got to examine whether or not there is any correlation here. In any event, would the funds that are going into default have direct relationship to the monies that are freed up for annual appropriations, whether it be for Pell Grants or student loans?

Mr. BRUGEL. Several years ago, we began a program of school audits as a result of the very high default rate that we determined at 30 institutions and——

Mrs. ROUKEMA. These were primarily what kinds of institutions?

Mr. BRUGEL. Primarily proprietary institutions though some from the traditional 4 year sector were also there and we found through our program reviews that indeed there was a considerable lack of attention at a number of these institutions through record keeping and through their administrative requirements associated with the program. We have moved to the point of either limiting or suspending 6 institutions to date from the program.

The issue with load defaults is one that, as I know New Jersey has already provided testimony to this committee, that comes about as a function of having a reduced period of grace now where one point has been 9 months, it is now 6 months and default is primarily an experience of the poor, those who are poorly prepared and those who are not enrolling in four year or collegiate programs.

The New Jersey experience, I'm very pleased—I was just at an authority meeting of the New Jersey Higher Education Assistance Authority this morning—our default rate following the federal calculation was 2.11 for the State of New Jersey so far for this fiscal year. I'm very pleased with that.

The default rate has been declining in New Jersey as a result of the Rule Review Program, I think primarily because many of the institutions who were affected moved their business from New Jersey guarantee agency to a national guarantor. Of course it

doesn't resolve the problem for the nation because they will then have a very high default rate for that guarantor.

Mrs. ROUKEMA. Doctor Donaldson.

Mr. DONALDSON. For our university, as a whole, the default rate is well below the level that has been defined by the Department of Education as a danger zone, though I think it is increasing and the reason it is increasing is related to what I was saying earlier.

First, students are, Dr. Bloustein said, being forced to take on an unconscionable level of debt as the aid component in federal programs shrinks and as more and more of our middle income students——

Mrs. ROUKEMA. You mean grant programs?

Mr. DONALDSON. Grant programs, yes, I'm sorry. And as more and more of our middle income families become ineligible, even for the loans, it means that the loans are being given primarily to the poorer students and these are the ones, as Dr. Brugel said, that have a higher tendency to default.

Mrs. ROUKEMA. Doctor Farris.

Dr. FARRIS. We have a very very low default rate at Stockton. Stockton, I'm sure everyone here knows, is a very young school and it is a very innovative school and one of the things that is part of our training of the students is to work with them very early on to understand what it means to default on these kind of things and we have a person that we hire that does nothing but work with making sure that the students know to reimburse their——

Mrs. ROUKEMA. All right, I would like to go on now to something that each one of you has referenced and that is the student earnings. The question is: I have heard some observers of Congressional Methodology, both the schools as well as staff people, suggest that this is just an anomaly of the first year of institution of the Congressional Methodology and if there is a base line established, after the Freshman year, then the high earnings of the previous year will no longer show up. It suggests a blip of the first year because prior to entering college, they probably, on average, earned more per year. Did you get the point? So the observation is that perhaps this is only a first year blip and after we get into the program, these students become sophomores and on up, then all we really have to do is involve ourselves with the first year. Does that sound sensible to you or is that a naive misunderstanding of how the system works over the four year period with respect to real live students and their work experience and the potential for income? Miss Farris?

Dr. FARRIS. I think it's a naive judgment as to what will actually happen. Many of the very poor students who have never had an opportunity to even work because they didn't have the right background but they go to college and they get jobs and they are able to work and try to take in earnings, to sometimes help their families so that they can stay in school because their families may, indeed, have sufficient difficulties, that it would not be possible for them to stay in school and so they work. They work very hard. I know our students, a large number of them work part time and an even larger number work full time even though they are full time undergraduates, 18 and 19 years of age.

Mrs. ROUKEMA. Thank you. Doctor Donaldson, would you like to comment?

Mr. DONALDSON. Well every student, of course, has a first year of being under the Congressional Methodology. That student that I referred to who went from being a full time secretary to being a full time student still has quite a struggle the first year when her base year is that former salary. I know, because she's my former secretary and I know what it costs her. So sure, in the second year, when she is a sophomore, there will be less problem because the base year will become her freshman year, but that doesn't minimize or eliminate the difficulty of the first year.

Mrs. ROUKEMA. So you think there should be an absolute cap?

Mr. DONALDSON. Well, I think we should use the projected academic year formula as opposed to the base year formula.

Mrs. ROUKEMA. I see. It's not a cap.

Dr. FARRIS. I prefer it to flat.

Mrs. ROUKEMA. Dr. Brugel.

Dr. BRUGEL. To argue that this is merely a start up problem and that it will go away, I think ignores the fact that if it goes away, it will go away because many students will also. I find it as a congenital flaw in the program that we have created that really should be addressed.

Mrs. ROUKEMA. Dr. Bloustine. I think what we're talking about is making available more money to students who need money. I find something anomalous about the old system that just estimated that return without any regard to the actuality and I think some combination of the two would be fairer to the system and fairer to all of the students who need out of the system.

Mr. Chairman, I may have used up my time, but I do want to ask one more question, that is particularly important here, I think generally in New Jersey, but certainly throughout Northern New Jersey and it is something that Dr. Brugel referred to, in Commissioner Hollander's testimony that was submitted.

I don't know that you stressed it as much in your oral testimony, but I would like to hear the comments from all of you on this question. That is, the use of assets, and particularly acute here in our area is the use of home assets with the inflation in real estate I suppose it's not unique to New Jersey but it is particularly acute. As Commissioner Hollander put it, it takes a lot more money to be poor in New Jersey or to be middle class in New Jersey than it does in a lot of other places.

We have had tremendous inflation in real estate values in New Jersey and I suspect that is going to cause quite a bit of hardship in terms of the ability to have cash flow for these middle class and lower middle class families when next year comes around and their eligibility is determined. Whoever would like to comment on that, I would like to hear you, because this is a very difficult problem for us on this panel to address. It's a sticky wicket.

Mr. BRUGEL. Prior to reauthorization, Guaranteed Student Loan eligibility could be determined through what were then called the "Look Up Tables." And the Look Up Tables had no reference to assets. With the introduction of the full bore methodology, the uniform methodology or the Congressional Methodology, then there is reference to assets. The family home is the major asset for most

families and indeed that does work a hardship in establishing loan eligibility. Most families are unwilling to borrow against the assets they have in their home and it is indeed a problem.

One could argue that it would make a good deal of sense for loan eligibility to totally discount the asset that one holds in their home.

Mr. BLOUSTINE. I come out on both sides of this. It does seem to me to be wrong headed to make a family that has saved and built an asset, pay heavily for that asset, and let a profligate family achieve the same thing that the family who worked hard to maintain that asset.

On the other hand, it seems to me equally wrong not to take into account at all that that is an element of need and I think some combination, some ceiling has always appealed to me.

Mr. BRUGEL. It might be appropriate to use that for grants, but to ignore that as part of the loan eligibility.

Mrs. ROUKEMA. That's interesting. Dr. Donaldson.

Mr. DONALDSON. I agree with you, Congresswoman Roukema, that many families in northern New Jersey are house poor, that is if you look at them on a balance sheet taking the market value of their homes, they appear to be quite wealthy, but the only way they could tap into that is move to some other part of the country, sell their house because if they tried to get another one around here—I'm sorry.

Mrs. ROUKEMA. Or take a second mortgage.

Mr. DONALDSON. And I'm afraid that the temptation created by the current tax code of taking this home equity is another dangerous trend because many people whose actual earnings are not good enough to support that are now going to be in danger of losing their homes because they are trying to translate this asset into cash for their children's education.

Dr. FARRIS. As you know, Stockton is not in north Jersey, but in southern New Jersey and in southern New Jersey we have the difficulty of enormous growth that has come about as a result of the casino industry coming about there and the fluctuation of the cost in housing is frightful from here to here. You can seen it ballooning with the same problem that my esteemed colleague, President Donaldson, just mentioned and which you so wisely noted yourself.

Mrs. ROUKEMA. Thank you. Thank you, Mr. Chairman.

Mr. WILLIAMS. Thank you. Mr. Hayes.

Mr. HAYES. Thank you, Mr. Chairman. One of the advantages of being late was—I should really be quiet, I guess. It's difficult because this is an important issue before the committee.

I would like to ask one question that I would like to get some response to from each of the panelists.

Has the federal methodology resulted in a decline in enrollment of economically disadvantaged students, have you noticed?

Mr. BLOUSTEIN. Our best evidence Congressman, is that there has been no decline at all. In fact, our enrollment application rate has risen markedly. Enrollment is a budgeted number rather than a market number, so we can't tell anything about how many have been enrolled, but the application rate has risen.

Mr. BRUGEL. If I might, Congressman, the methodology is one that is only going into effect for those students who would be enrolling this coming September. So consequently for newly admitted

students, I don't think they would really have had an understanding of what the previous arrangement was and for returning students, frankly they haven't had a chance to drop out yet.

Mr. DONALDSON. I think Mr. Brugel puts it very well. Our enrollment here at FDU is going up this coming fall, but I don't think that's a consequence of any change in student aid formulas yet and I think we will feel the consequences later on and probably more significantly among the lower middle income than the most disadvantaged.

Dr. FARRIS. I agree with what my colleagues have said. It is a little early to tell and I think though that no one should be fooled by the fact that most of the colleges are desperately interested. They may be certain that there are ways for the disadvantaged to go to school and those that are in the lower middle income. So I think there is increased help too So that it will be interesting to watch to see how rapidly that help can be built against how rapidly the decline will occur because of the new funding methodology.

Mr. HAYES. One of the criterions used to justify change is one that my colleague, Mrs. Roukema, mentioned, the default on student loans. We have found out or at least I have, that one of the main reasons for default is the shift from the grant program, Pell Grants to loans. Some of the economically disadvantaged groups should not have been given a loan in the first place, but there was no money through the grant programs, so in order to offer that opportunity for higher education, they went and got the loans.

Mr. BRUGEL. Congressman, I have no doubt that that's—we see evidence of that, marked evidence of that and it's outrageous. We're fooling ourselves, as a nation, but we're not only fooling ourselves, but we're putting recipients of those loans in a very, very difficult and precarious position.

Mr. HAYES. You mentioned, I think, Dr. Farris, that you received, Stockton University, 800 Pell Grants in 1985 while this year, it has been reduced by 150. Given the kind of funds you operate under, these Pell Grants, the reduction you will have, I suspect that maybe next year it will go down even more. So this means that you obviously are going to have less, resulting in fewer students being able to attend?

Dr. FARRIS. That's right. And the saddest thing is that one of the goals of our college and our theme and our mission has always been access and quality. And so the college has worked very hard to attract and to retain middle income minority students of which the number was quite small some years ago and is just beginning to grow to a substantial number and that is the area which I feel is going to be hardest hit and it's very worrisome to me as to what would happen to those people.

Mr. HAYES. You just concluded that Congressional Methodology should be used only as another aid index to determine eligibility for the federal program, not as a way to prevent us from helping students more than the Federal Government thinks is necessary. You were quite clear what you said.

Do you other three panelists share that statement?

Mr. BRUGEL. Definitely.

Mr. DONALDSON. Absolutely.

Mr. BLOUSTINE. As I say, I would like to see some combination of the two at work.

Mr. HAYES. Thank you, Mr. Chairman. My time is up.

Mr. WILLIAMS. Mr. Petri.

Mr. PETRI. First, just one comment on the problem of inflation that is felt in my part of the country by farmers. They haven't had land inflation lately, sad to say, but they had enormous investment and not much cash flow sometimes and so they don't qualify for these loans and sometimes are in the same situation.

They put everything back into their business year after year. It's not reached the point where they are harvesting the fruits of their labors and their kids are going to college, so they have to increase their debt. There are a number of facets to this problem.

I just wondered if I could ask President Bloustein a question about his idea about community service programs, which is an intriguing one. Congress has tried to do that some. We give student loan forgiveness for student service in the Armed Forces or the Reserves after graduation so they can repay their country. That gives them access to education by helping to defend, their country. Also for work in rural areas, by medical professionals and for work in certain areas of education, such as programs for the handicapped students can have their loans forgiven.

So it's a concept that has been supported in certain narrow areas.

You have work study too, which isn't necessarily to help disadvantaged people, but sometimes it is and students do that, but I am interested when you say that it would be required as a condition of graduation for all students and I guess I'm asking, by whom? Do many colleges currently, of their own volition, which they would be free to do, require that students do a certain amount on community service work? I didn't realize that you had to swim to get a degree and I just wonder if there are some colleges that do this?

Mr. BLOUSTEIN. There is no college in the nation, Congressman, that I know currently have that requirement. I am not sure my university will undertake it. I am going to urge it before the faculty of the university and if it becomes a universal requirement then I think there is a possibility that if it would serve also as a formal work requirement for financial aid, it would become more reasonable and more justifiable.

I also think it would represent, for many local communities, where this assistance would be provided, a form of financial benefit of the financial aid system which is now not otherwise available, but no one has adopted it, to my knowledge.

Mr. PETRI. Thank you, Mr. Chairman.

Mr. WILLIAMS. Questions that I might have asked, had I used the Chair's prerogative and began asking questions, they have all now been asked.

I'll dismiss this panel with our thanks for your help.

For our next panel, we're pleased to have each of you with us. Francine Andrea is the president elect of the New Jersey Association of Student Aid Administrators. We're pleased to have you with us. Please begin.

**STATEMENT OF FRANCINE ANDREA, PRESIDENT ELECT, NEW JERSEY ASSOCIATION OF STUDENT FINANCIAL AID ADMINISTRATORS**

Ms. ANDREA. Thank you, Mr. Chairman and members of the committee.

It's a rare opportunity one has in representing views of 250 dedicated professionals as I am today as president-elect of the New Jersey Association of Student Financial Aid Administrators, as well as my own institution, Drew University, where I am University Director of Financial Assistance regarding the effects of Congressional Methodology on student eligibility for federal aid programs.

Over the years, our membership has worked diligently at preserving the fundamental principles established at the beginning of its Student Assistance Programs, that of a fair and equitable treatment for all recipients of federal aid, always committed to the principles of access and choice.

This year, through Congressional Methodology, in speaking with students and parents, it has become apparent that the analysis in its present form may inadvertently prove to be detrimental to those principles that we so dearly support—access and choice.

The entering student who applies for assistance soon shall be receiving information regarding eligibility which may be misleading. This is due to the calculation using 70 percent of their base year earnings. Though verifiable, in most cases, base year income is not an accurate predictor of their academic year earnings.

It may eventually be interpreted by the public as a disincentive to work. For every dollar that a student earns, they could lose 70 cents in aid. Are we double counting earnings and with the methodology, the way it stands, are we double counting savings? Aid officers are currently addressing this problem by utilizing their professional judgment on a case by case basis. The initial correspondence may also reflect ineligibility for a Pell Grant or other federal assistance which may cause needy students to become discouraged and not pursue their educational objectives.

Two categories identified by Congressional Methodology, dislocated worker and displaced homemaker, in creating a separate need analysis have complicated an already complex system. Students and parents inadvertently check off a category for which they feel they are qualified, without clearly understanding the intent of Congress in classifying these areas. This action automatically invokes the use of projected year income, initially, possibly misrepresenting the family contribution. We suggest that these categories be addressed through professional judgment to avoid generating yet another need analysis calculation.

The NJASFAA supports the concept of a simple need analysis. However, the current analysis has confused many students and parents, especially since they do not know whether they qualify. This analysis has not met its goal of proving an improved delivery, a system for low income families, because the requirements that they file a 1040A or a 1040EZ form, many poor students and families must complete the long form due to scholarship assistance, pensions, businesses and other income. These families are auto-

matically excluded from the calculation and they are indeed the neediest. Perhaps this analysis should be tied to the families' adjusted gross income rather than the particular form they file. As the evaluation of this formula continues, we also suggest that independent students without children not receive this preferential treatment for reasons of equity and fairness.

One recurring issue is the ambivalent treatment of parents in college in the need analysis formula. This has been proven time and time again to significantly decrease the family contribution for high income families, while having virtually no impact on low income households. This has the affect of shifting scarce federal resources from our neediest to high income applicants. We suggest the removal of the parent in college allowing individual case by case review, professional judgment by the aid administrator when warranted.

We thank Congress for recognizing our vital role in the higher education arena through legislating our long used professional judgment. We would hope that all interested parties, Congress, the Department of Education, the financial aid community and the processors will work together over the next few years to evaluate and construct working models of suggested methods of implementation.

In order to accomplish your intent of fair and equitable treatment for all students while recognizing unique family circumstances, some allowances must become standard factors in the need analysis system, allowances similar to the revised interpretation by the Department of Education regarding the dependent care allowance. This will assist in reducing the confusion that already exists throughout the country.

Currently, it is extremely difficult for entering students and their families to make informed enrollment decisions. Aid officers, due to the complexity of the Congressional Methodology, are unable to provide thorough and accurate student consumer information. The above suggestions and modifications may assist in this difficulty.

We truly appreciate the opportunity of sharing our views and concerns regarding this analysis as it relates to students and parents. We look forward to forthcoming modifications that will continue to allow access and choice to students pursuing higher education. But please, if you can, consider some of these changes for the current year. They will not take effect until 1990 and 1991 and if that is not addressed, then we may not see changes for our students until 1991. Thank you.

[The prepared statement of Francine L. Andrea follows:]

COMMITTEE ON EDUCATION AND LABOR

CONGRESSIONAL POSTSECONDARY SUBCOMMITTEE HEARING

IMPACT OF CONGRESSIONAL METHODOLOGY

FAIRLEIGH DICKINSON UNIVERSITY

TEANECK, NEW JERSEY

JUNE 20, 1988

Testimony by:
Francine L. Andrea, President-Elect
New Jersey Association of Student
Financial Aid Administrators

It is a rare opportunity one receives in representing the views of two hundred and fifty dedicated professionals as I am today as President-Elect of the New Jersey Association of Student Financial Aid Administrators (hereafter NJASFAA) as well as my institution Drew University regarding the effects of Congressional Methodology on student eligibility for federal aid programs.

Over the years, our membership which is comprised of four year public, private, community, graduate and professional and proprietary schools, has worked diligently at preserving the fundamental principles established in the beginning of the student assistance programs, that of fair and equitable treatment for all recipients of federal aid. The association is always committed to the principles of access and choice.

This year through implementing Congressional Methodology, in speaking with students and parents it has become apparent that the analysis in its present form may inadvertently prove to be detrimental to those principles which we so dearly support,... .. access and choice. The entering undergraduate and graduate students who apply for assistance are initally receiving information regarding their eligibility which can be misleading because of the use of the 70% base year earnings to compute their contribution. Though verifiable in most cases, base year income is not an accurate predictor of academic year earnings. It may eventually be interpreted by the public as a disincentive to work under Congressional Methodology. For every dollar that a student earns they could loose seventy cents in aid. Are we expecting last year's earnings to pay for this year's expenses? Are we double counting earnings or savings? Aid officers are currently addressing this problem by utilizing their professional judgment on a case by case basis, not using base year income, then opting for a minimum contribution or the

reported projected year income. The initial correspondence may also reflect ineligibility for a Pell Grant or other federal assistance which may cause needy students to become discouraged and not pursue their educational objectives.

We applaud Congress for attempting to recognize through the analysis the special needs of non-traditional students. Under the previous formula, Uniform Methodology, married students usually were not eligible for any federal assistance including Guaranteed Student Loans. However, since these students are the prime beneficiaries of their education, we suggest some modification to the formula be considered that would result in a more equitable treatment of their assets vis a vis other types of students.

Two other catagories identified by Congressional Methodology, dislocated worker and displaced homemaker in creating a separate need analysis for them has complicated an already complex system. Students and parents inadvertently check off a category for which they feel they qualify without clearly understanding the intent of Congress regarding these classifications. This action automatically invokes the use of projected year income initially, misrepresenting the family contribution. Therefore, we suggest these catagories be addressed through professional judgment to avoid generating yet another need analysis calculation.

NJASFAA supports the concept of a simple need analysis. However, the current analysis has confused many students and parents especially since they do not know whether they indeed qualify. Simple Need Analysis has not met its goal of providing an improved delivery system for low income families because of the requirement that they file a 1040A or 1040EZ tax form. Many poor students and families must complete the long 1040 form due to scholarship assistance, pensions, business and other income. These families are automatically excluded from the simple calculation when they are indeed the neediest. Perhaps this analysis should be tied to the family's adjusted gross income rather than the particular form the family and/or student completes. As the evaluation of this formula continues, we suggest that independent students without children not receive this preferential treatment for reasons of equity and fairness.

Depending on family status, Veterans benefits are used inconsistently. We recommend for simplicity the elimination of Veterans benefits from the Pell Grant Family Contribution Schedule and Congressional Methodology, thus allowing Veterans benefits to be considered as a resource.

One reoccurring issue is the ambivalent treatment of parents in college in the need analysis formula. This has been proven time and time again to significantly decrease the family contribution for high income families, while having virtually no impact

on low income households. This has the affect of shifting scarce federal resources from our neediest to high income applicants. We suggest the removal of the parent in college allowing individual case by case review, professional judgment by aid administrators.

On a positive note, we thank Congress for recognizing our vital role in the higher education arena through the legislating of professional judgment. We would hope that all interested parties, Congress, the Department of Education, the Financial Aid community and the processors will work together over the next few years to evaluate and construct working models of suggested methods of implementation. NJASFAA has taken the lead in this area, holding a two day workshop for aid officers across the State in assisting them in developing a better understanding of their professional discretion.

In order to accomplish your intent of fair and equitable treatment for all students while recognizing unique family situations, some allowances must become standard factors in the need analysis system. Allowances, similar to the revised interpretation by the Department of Education regarding the dependent care allowance, will assist in reducing the confusion that currently exists throughout the country.

Currently, it is extremely difficult for entering college and graduate students and their families to make informed enrollment decisions. Aid officers due to the complexities within Congressional Methodology are unable to provide thorough and accurate student consumer information. The above suggestions and modifications would resolve this difficulty.

In closing, NJASFAA fully endorses the interim report issued to Congress by the Advisory Committee on Student Financial Assistance. We truly appreciate the opportunity of sharing our views and concerns regarding this analysis as it relates to students, parents, and other aid administrators throughout the nation. We look forward to forthcoming modifications that will continue to allow access and choice to students pursuing higher education.

**STATEMENT OF MICHAEL S. KATZ, UNIVERSITY DIRECTOR OF FINANCIAL AID, UNIVERSITY OF MEDICINE AND DENTISTRY OF NEW JERSEY**

Mr. KATZ. When I was invited to give testimony on Congressional Methodology, the first thing I did was call upon my colleagues in graduate and professional education to solicit their opinion. Normally you would expect a variety of perspectives from a number of professionals, however, this is not the case. There was a consensus.

There are three urgent issues that need to be addressed with regard to Congressional Methodology and the determination of financial need of graduate and professional students.

Today I want to thank the committee for giving me this opportunity to present both the concerns of my profession and those of graduate and professional students. I want to thank Congress for recently providing clarification on the matter of the dependent care allowance which resulted in adjustments to the Department of Education's interpretation of the law allowing financial aid officers to make across-the-board changes for students in this category without documenting each case.

My first issue can be described as the standard maintenance allowance versus the student expense allowance. Prior to Congressional Methodology, an independent student with dependents would come into my office and I would sit down with him or her and construct a budget that would include all direct and indirect costs associated with the student's attendance in school during the academic year. When we finished, we had a total picture of that student's overall expenses. Using Congressional Methodology, financial aid officers are only allowed to consider the individual student's expenses apart from the expenses of his or her family. Only then are we allowed to take into account family support through a standard maintenance allowance.

This brings up a whole range of problems. The standard maintenance allowance is based on national standards and does not reflect regional and local differences and cost of living. The end result is that the present method of calculating financial aid for a student with a family is no longer a clean process that reflects that student's individual reality. Furthermore, because of the student only rule, we cannot publish clear accurate budgets to help and inform and guide students with families toward their goals. Our effort in achieving the government's concern with consumerism in the financial aid process becomes strained when we cannot advertise this information clearly through our financial aid handbooks, catalogs and brochures.

Although adjustments to the standard maintenance allowance though professional judgment are possible, the process is clumsy and tedious even though the end result may, in fact, be the same. Let's recognize cost of attendance on the expense side of the equation and not on the side that analyzes ability to pay.

The second major issue is base year income versus projected year income. Prior to Congressional Methodology, in calculating an independent student's ability to contribute toward his or her education, the financial aid officers would utilize the student's projected academic year income. Under Congressional Methodology, we are re-

quired to consider the student's income for the calendar year prior to enrollment, or base year. An increasing number of students are coming to graduate education later in life in the hope of starting a second career. This means that they often have base year income and often have a family. However, like the rest of us, they consume most of their income and have no surplus to carry into their educational year. So the end result is a distortion; financial aid calculations from a base year figure are founded on an illusory number.

Finally, there is the issue of "professional judgment" itself which is related to the two issues previously discussed. The distortions and balances created by the base year income as well as other areas in Congressional Methodology requiring across the board changes creates problems that financial aid officers must compensate and correct in the only way available to them, case by case. However, this is hardly a viable solution, and ultimately raises two great fears for us.

First, there are so many students in like circumstances that if we adjust them all, as we must, we will create a mountain of paperwork all in the name of skirting a bad regulation. Second, since we will have to utilize our professional judgment far in excess of what I believe Congressional Methodology anticipates, will the Department of Education then cite us, in their audits, for making across the board decisions, as we fear they will.

Let's not delay the processing of aid beyond the point of reasonableness. My solution to these problems which will help tailor the Methodology to all sectors, basically consist of returning to delivery systems that are accurate and efficient:

(1) Allow financial aid officers to construct realistic budgets that reflect the true cost of education. (2) Analyze ability to contribute on the basis of projected year income for dependent students. (3) Give financial aid officers clear authority to make across the board decisions at their discretion.

Thank you, Mr. Chairman and members of the committee for giving me this opportunity.

[The prepared statement of Michael S. Katz follows:]

Committee on Education and Labor
Subcommittee on Postsecondary Education
Hearing on Congressional Methodology
Fairleigh-Dickinson University
Teaneck, New Jersey
June 20, 1988

Testimony of Michael S. Katz
University Director of Financial Aid
University of Medicine and Dentistry of New Jersey

---

My name is Michael Katz, and I am the University Director of Financial Aid for the University of Medicine and Dentistry of New Jersey--New Jersey's statewide health care, education, research, and services system.

When I was invited to give testimony on Congressional Methodology, the first thing I did was call upon my colleagues in graduate and professional education to solicit their opinions. Normally you would expect a variety of perspectives from a number of professionals; however, this was not the case. After all was said and done, there was a consensus--we had all independently, and then concurrently, come to the conclusion that there are three urgent issues that need to be addressed with regard to Congressional Methodology and the determination of financial need of graduate and professional students. Today, I want to thank the committee for giving me this rare opportunity to present both the concerns of my profession, and indirectly represent the larger concerns of a group that I feel strongly about--namely the graduate and professional students in New Jersey and their economic and career concerns.

As a way of getting into the subject, and starting on a positive note, I want to thank Congress for recently providing clarification on the matter of the Dependent Care Allowance which resulted in adjustments to the Department of Education's interpretation of the law. Prior to this clarification, if an independent student with dependents did not receive the full benefit of the standard maintenance allowance, financial aid officers were neither able to compensate for the existence of the shortfall, nor take into account its severity in determining eligibility for financial aid programs. As a result, in cases where income was actually less than family maintenance, the formula did not take into account the reality of a negative balance. This inequity--which only increased the hardship of low-income students--did not originate in congressional intent, but instead, was the result of the Department of Education's misinterpretation of the law. After extensive lobbying by financial aid officers around the country resulting in Congressional clarification, the Department of Education reversed its position and ruled that financial aid officers could indeed make adjustments and across-the-board changes for students in this category without documenting each case.

At this point, I ask the members of the committee to remember the terms "professional judgement" and "across-the-board" for they figure prominently in my presentation of the three major points of my testimony. While you have helped us win a victory in regard to the Dependent Care Allowance, in all other situations we are restricted to using our "professional judgement" strictly on a case-by-case basis.

My first issue can be described as Standard Maintenance Allowance versus the Student Expense Budget. Prior to Congressional Methodology, an independent student with dependents would come into my office and I would sit down with him or her and construct a budget that would include all direct and indirect costs associated with the student's attendance in school during the academic year. When we finished we had a realistic appraisal--a total picture of that student's overall expenses for the year. This budget, moreover, would have been constructed in conjunction with information obtained from surveys of the student body and Bureau of Labor Statistics on cost of living. (The formulation of student budgets is a scientific, well-documented procedure, implemented by the Financial Aid Office.) From this realistic budget, I could then make a realistic allocation of funds to help that student realize his or her goals.

Using Congressional Methodology, financial aid officers are only allowed to consider the individual student's expenses apart from the expenses of his or her family. Only then are we allowed to take into account family support through a Standard Maintenance Allowance. This brings up a whole range of problems. The Standard Maintenance Allowance is based on national standards and does not reflect regional and local differences in costs of living. The cost of rent, utilities, and food in suburban New Jersey just isn't the same as it is in Ohio.

The end result is that the present method of calculating financial aid for a student with a family is no longer a "clean" process that reflects that student's individual reality. Furthermore, because of the "student only" rule, we cannot publish clear, accurate budgets to help inform and guide students with families toward their goals. Our effort in achieving the government's concern with "consumerism" in the financial aid process becomes strained when we cannot advertise this information clearly through our financial aid handbooks, catalogs, and brochures. Although adjustments to the Standard Maintenance Allowance through professional judgement are possible, the process is clumsy and tedious, even though the end result may in fact be the same. I am recommending we clean up the process. Let's recognize cost of attendance on the expense side of the equation and not on the side that analyzes ability to pay.

My recommendation is clear and simple: let's return to a method of budget construction that worked so well for everyone.

The second major issue is Base Year Income versus Projected Year Income. Prior to Congressional Methodology, in calculating an independent student's ability to contribute toward his or her education, financial aid officers would utilize the student's projected academic year income. Under Congressional Methodology, we are required to consider the student's income for the calendar year prior to enrollment, or base year. An increasing number of students are coming to graduate education later in life in the hope of starting a second career. This means that they often have base-year income and often have a family. However, like the rest of us, they consume most of their income and have no surplus to carry into their educational years. So the end result is a distortion: financial aid calculations from a base-year figure are founded on an illusory number.

Again, my recommendation is simple: let's dispense with Base Year Income and return to a system that we know more accurately reflects the ability to pay.

Finally there is the issue of "professional judgement" itself which is related to the two issues previously discussed. With the Dependent Care Allowance as the only

exception, financial aid officers are allowed to exercise their professional discretion only on a case-by-case basis, not in an across-the-board fashion. The distortions and imbalances created by the Base Year Income as well as other areas in Congressional Methodology requiring across-the-board changes creates problems that financial aid officers must compensate for and correct in the only way available to them: case-by-case. However, this is hardly a viable solution, and ultimately raises two great fears for us. First, there are so many students in "like circumstances" that if we adjust them all, as we must, we will create a mountain of paperwork all in name of skirting a bad regulation; second, since we will have to utilize our professional judgement far in excess of what I believe Congressional Methodology anticipates, will the Department of Education then cite us--in their audits--for making across-the-board decisions, as we fear they will? If this is to be the case, I suggest that an audit of the auditors will be necessary: that is, when the Department of Education comes in and holds us accountable for our decisions, Congress, through the use of the Advisory Committee on Student Financial Aid, will in turn hold the Department of Education responsible for correctly, clearly, and consistently interpreting the law.

Let's not delay the processing of aid beyond the point of reasonableness. My solutions to these problems, which will help tailor the Methodology to all sectors, basically consist of returning to delivery systems that are accurate and efficient. 1) Allow Financial Aid Officers to construct realistic budgets that reflect the true cost of education. 2) Analyze ability to contribute on the basis of projected year income for independent students. 3) Give financial aid officers clear authority to make across-the-board decisions at their discretion.

These regulations, as they now stand, so clearly fly in the face of the economic reality of graduate students, and clearly are bucking the societal trend toward older, non-traditional students. Congressional Methodology, a system that was tailored for undergraduates, fails to accommodate the particular needs of the graduate or professional student population.

Thank you Mr. Chairman and members of the committee for giving me this opportunity to testify.

**STATEMENT OF MICHAEL J. BENNETT, DIRECTOR OF FINANCIAL AID, VETERANS AFFAIRS, BROOKDALE COMMUNITY COLLEGE**

Mr. BENNETT. On behalf of New Jersey's community college system, 19 institutions serving over 100,000 students, I would like to extend a warm welcome to New Jersey and thank you for this important opportunity to express our views on how Congressional Methodology has affected student eligibility.

As you are aware, community colleges are open access institutions whose low cost, convenient location, and individualized approach encourage many low income families to choose our institutions so that they may gain the knowledge and skills necessary to become informed, contributing citizens of our society.

The students of these same low income families have worked in many instances to assist with family living costs only to discover the Congressional Methodology will initially assume that 70 percent of their prior year earnings are available for college costs. Further, if these same students save their entire prior year earnings, the methodology will assess the earnings at 105 percent, 5 percent more than was actually earned.

Within our sector, 55 percent are independent students and we have discovered the prior year earnings are not an accurate predictor of academic year earnings. Further, we're finding that professional judgment must be exercised in 42 percent of these cases and recommend that the Committee consider increasing the Pell administrative allowance in order that we may address this burden.

Another administrative created by Congressional Methodology is the treatment of veterans benefits. The Department of Education currently requires that 100 percent of veterans benefits be considered as a resource and Congressional Methodology treats veterans benefits inconsistently, including or excluding in the computation of family contribution various types of VA benefits depending on the student's dependency status, family status and analysis type.

The Department of Defense and Veterans' Administration has projected that 10 percent of community college enrollment will be veterans who receive some type of VA entitlement by 1992. We recommend that the law be amended to specify that all Veterans Educational Benefit Programs should be used as a direct resource in computing the student's financial need. We also support the concept of simplification and a simple needs test for low income families and recommend that independent students without children should not be eligible for the simple needs test since this eliminates their assets from analysis. We remain optimistic that one application which reflects the goal of application simplification will be designed, released, and evaluated on a yearly basis.

Finally and most important, we urge the committee to petition for a realistic, timely and fully funded approach to training. In light of the numerous changes, it is disturbing to note that since 1981 there has been a 65 percent reduction in the number of program reviews and only 1.5 percent of the department's $20 billion budget for the last year was allocated for department employees who travel to institutions to complete program reviews and conduct training sessions.

It is our recommendation that the Department of Education authorize a Peer Review Program similar to the program being utilized by the Department of Health and Human Services in which financial aid officers would visit the campus of their colleagues to collectively identify and explore solutions to common problems. We feel this approach to program review fosters a closer and genuine partnership between the Department of Education and our financial aid community.

In closing, we eagerly embrace our role at the human element in a mechanized process and view professional judgment as the cornerstone of our profession. As a group, we regularly meet to monitor our uses of professional judgment and are confident that research will support our belief that those closest to the problem can provide the best solution and service to our students. Thank you.

[The prepared statement of Michael J. Bennett follows:]

COMMITTEE ON EDUCATION AND LABOR
Subcommittee on Postsecondary Education
Impact of Congressional Methodology
June 20, 1988

TESTIMONY

On behalf of New Jersey's community college system, nineteen institutions serving over 100,000 students, I'd like to extend a warm welcome to New Jersey and thank you for this important opportunity to express our views on how Congressional Methodology has affected student eligibility.

As you are aware, community colleges are open access institutions whose low cost, convenient location, and individualized approach, encourage many low income families to choose our institutions so that they may gain the knowledge and skills necessary to become informed, contributing citizens of our society. The students of these same low income families have worked, in many instances, to assist with family living costs, only to discover that Congressional Methodology will initially assume that 70% of their prior year earnings are available for college costs. Further, if these same students save their entire prior year earnings, the methodology will assess the earnings at 105%, 5% more than was actually earned!

Within our sector, 55% are independent students and we have discovered that prior year earnings are not an accurate predictor of academic year earnings. Further, we're finding that professional judgement must be exercised in 42% of these cases and recommend that the Committee consider increasing the Pell Administrative Allowance in order that we may address this burden.

Another administrative burden created by Congressional Methodology is the treatment of Veterans Benefits. The Department of Education currently requires that 100% of Veterans Benefits be considered as a resource and Congressional Methodology treats Veterans Benefits inconsistently, including or excluding in the computation of a family contribution, various types of VA benefits depending on the student's dependency status, family status and analysis type. The Department of Defense and Veterans Administration has projected that 10% of community college enrollment will be veterans who receive some type of V.A. entitlement by 1992. We recommend that the law be amended to specify that all Veterans Educational Benefit Programs should be used as a direct resource in computing a student's financial need. We also support the concept of simplification and a simple needs test for low income families and recommend that Independent students without children should not be eligible for the simple needs test, since this eliminates their assets from analysis. We remain optimistic that one application which reflects the goal of application simplification will be designed, released, and evaluated on a yearly basis.

Finally, and most important, we urge the committee to petition for a realistic, timely, and fully funded approach to training. In light of the numerous changes, it is disturbing to note that since 1981 their has been a 65% reduction in the number of program reviews and only 1.5% of the departments $20 billion budget for last year was allocated for department employees to travel to institutions to complete program reviews and conduct training sessions.

It is our recommendation that the Department of Education authorize a Peer Review Program similar to the program being utilized by the Department of Health and Human Services in which financial aid officers would visit the campus of their colleagues to collectively identify and explore solutions to common problems. We feel this approach to program review fosters a closer and genuine partnership between the Department of Education and our financial aid community.

In closing, we eagerly embrace our role as the human element in a mechanized process and view professional judgement as the cornerstone of our profession. As a group we regularly meet to monitor our uses of professional judgement and are confident that research will support our belief that those closest to the problem can provide the best solution and service to our students.

Michael J. Bennett

Michael J. Bennett
Director of Financial Aid/
Veterans Affairs
Brookdale Community College
Lincroft, NJ

Mr. WILLIAMS. Thank you. Our thanks to each of you.

Miss Andrea, are the department reviews and training helpful to you?

Ms. ANDREA. If they were conducted in calendar format, and we had the opportunity to take advantage of them. I think, as Michael has stated, there have been a few training sessions this past year, but the decline over the last 5 years has been very great and we are training ourselves in many instances.

For example, the New Jersey Association did a two day workshop on professional judgment to assist our colleagues in understanding the use of an informal discussion of professional judgment.

Now the national association has also been working strongly in coordinating a training format throughout the country so that we can all participate. So we have not seen training from the department, but we are creating it, in other ways.

Mr. WILLIAMS. Mr. Katz. Same question.

Mr. KATZ. I agree with Fran that training is somewhat minimal and I think particularly in the State of New Jersey, where it is a rather small state and the group of financial aid professionals are a rather close knit organization. We tend to work with each other and train ourselves and get together in small groups as well as our professional association to do what needs to be done.

Mr. WILLIAMS. As limited as it is, is the DOE training helpful?

Mr. KATZ. It has not been that helpful in the past. There is room for significant improvement.

Mr. WILLIAMS. Mrs. Roukema.

Mrs. ROUKEMA. Let me just follow up. Do you think it's because of lack of resources or is it because of the approach? If it's the approach, do you agree with Mr. Bennett that a peer review approach would be more beneficial to you?

Ms. ANDREA. I think you're looking at two things. I think programmers use one thing and training is another. I think a programmer's view can be of assistance and work closely with the department in reviewing our operations and how we should be conducting ourselves if, by chance, we are not. I think training is definitely another issue.

With changes in analysis and processes, we then are the trainers of the students and the parents and to insure that we are doing the job that we are to be doing, the department should be participating in a much larger extent with us and the National Association in training programs throughout the country. I think resources have been a problem, yes.

Mrs. ROUKEMA. Mr. Katz is shaking his head, yes. What about you, Mr. Bennett, do you essentially agree with that?

Mr. BENNETT. Sure. I think that, as Fran has indicated, we look to the department for leadership in this area and if you look at the complexity of the process and not to have a good solid training component there is going to create frustration and problems.

Mr. KATZ. I would just like to continue on that point a little bit because in addition to training, I think we do have to zero in on the program process and the recommendation that was made, which is one that is sort of near is the processes by the Department of Health and Human Services is one that is very helpful and I

think the concept of sending out financial aid officers to work with fellow financial officers and review each other's programs and guide each other is very helpful and it has worked for many years in the Department of Health and Human Services, and I think we should look to that end.

Mrs. ROUKEMA. I think this is on a related question, but I guess there is an area here on which we all have, let me just say parenthetically, agreement that there is consensus on the question of the veterans benefits on the base year, there seems to be clear consensus there.

But now, going back to this, I have a question mark here in what you stated, Mr. Katz, I don't understand it and maybe it's related to the discussion that we just had.

The standard maintenance allowance, through professional judgments are possible. This is the sentence I don't understand: "Let's recognize the cost of attendance on the expense side of the equation and not on the side that analyzes ability to pay."

Mr. KATZ. Prior to Congressional Methodology, if we were constructing a student expense budget for an independent student with a family, we would recognize all the expenses associated—direct and indirect expenses associated with the cost of attendance for that student and his or her family.

With Congressional Methodology, the recognition of that family, rather than being on the expense side of the equation, is through the allowance of the maintenance of that family on the income side of the equation, so therefore we are recognizing the student's family by saying, well, if your income is x, we're going to reduce it by y and the balance, simplistically speaking, is what is available for the upcoming academic year.

There's a whole host of reasons why that doesn't work, the primary one, I think, is very difficult if we were constructing, for example, a student catalog or handbook and advertising what it costs to attend New Jersey medical schools. We would be required through Congressional Methodology to advertise and discuss with students and families the cost of that one student or that one academic year. We would not be able to discuss a married student budget or a single parent budget, what we would really be zeroing in on would be just the student's cost, period.

And then attempt to explain the existence of your family will be handled by analyzing your income and the ability for you to contribute.

Mrs. ROUKEMA. Thank you very much. I don't think I have any further questions except I do appreciate the fact that you have noted the regional differences should be taken into consideration in terms of cost of living.

I will resist the temptation to go into the default question with the community colleges. If you would like to submit that in writing, I would be happy to receive that. I happen to think that New Jersey has done an excellent job, so we'll leave that for now, Mr. Chairman. Thank you.

Mr. WILLIAMS. Thank you. Mr. Hayes.

Mr. HAYES. Mr. Katz, I notice you are the Director of Student Financial Aid, University of Medicine and Dentistry. Can I get a

sense of the total number of the students enrolled and a breakdown of minority students?

Mr. Katz. There are 6 schools within the university, 3 medical schools, a dental school, a graduate school of bio medical sciences, an undergraduate school of health related professions. The total enrollment is approximately 2,200 students and the minority enrollment varies dramatically from school to school.

For example, at New Jersey Medical School, the minority enrollment is about 25 percent. At the school of health related professions, it's more like 75 percent and at the other medical schools and the dental schools varies between 5 and 10 percent. So, it's difficult to look at that number on a university wide basis because it does vary so much from school to school within the university.

Mr. HAYES. A critical development, I think, is a critical shortage of doctors and dentists, particularly in the minority community and I think it's going to get worse with this change of methodology. It scares me a little bit. I don't know if you share that opinion.

Mr. KATZ. Well, I do except without offering any propaganda about the University of Medicine and Dentistry, we have a rather large, strong minority program and we have a sizeable scholarship program and although recruiting is a national dilemma, it's not a particularly difficult problem at the University of Medicine and Dentistry.

Mr. HAYES. Miss Andrea, you mentioned in your statement, it interests me, you said one recurring issue is the ambivolent treatment of the parents in college need-analysis formula and you concluded that this inclusion of parents in the formula is going to be at the expense of the needy students. Do you care to elaborate on that a little bit?

Ms. ANDREA. Yes. A few years ago the College Scholarship Service had done a study and I think they could speak, particularly to that study better than I can.

But, in that study, their conclusion was that a parent in college was not fair treatment to students across the board when it came to determining eligibility.

A perfect example is a family with 3 in college. Three is now used in the formula where the one contribution is divided by 3 to determine what each individual person's contribution is. In doing so, you are not renewing or looking at whether a parent has their education funded by the employer, whether in full or in partial and you are giving that entire benefit to that family without that knowledge.

This really has no bearing on the low income family, but it gives an advantage to the higher income family if the parents can afford to go to school, if they are not being assisted by their employer and they then get the full benefit whereas the low income family they may not be able to afford to enroll at all and that is the difference.

If we did it on a case by case basis, we would be using our discretion based on the documents provided by the family. If a parent is not funded by another institution or from another source, we could consider that parent as enrolled in college.

What is also important is the methodology right now does not speak to matriculation so that if a parent goes and takes two

courses but is not matriculating in a program, they are entitled to the deduction in contributions.

Mr. HAYES. Thank you.

Mr. WILLIAMS. Mr. Petri.

Mr. PETRI. Just one question for Mr. Katz. In the last paragraph of your testimony, you talk about the regulations really not fitting very well with the economic reality of the Congressional Methodology and you say, "Congressional Methodology is a system that was tailored for undergraduates and fails to accommodate the particular needs of the graduate or professional student population". Some of the folks who work on the Congressional Methodology felt they had at least tried to do that and evidently your testimony is that they failed.

The protection allowance which is based on the age of the person could have helped the student to work, and the maintenance allowance which is, again, an effort to tailor it for the needs of non-traditional students. So, could you expand on that comment so we can do a better job the next time?

Mr. KATZ. I think the prime concern is with regard to base year income as well as the family unit and the non recognition of the student's family. Graduate students are typically older students very often returning to school, second and third careers, and that aspect of the analysis has been removed, the student-only rule that we are dealing with, and that's our primary concern.

Mr. PETRI. Let me ask you all or any of you, how parents in New Jersey are doing at saving some money so that they can contribute to a greater share of these costs. Is this only a federal problem, that only the Federal Government should be involved in providing the bulk of financial aid? Or is it only an institutional problem and a state problem and a federal problem and not a parental problem? How are we doing here in New Jersey as parents at saving for children's education?

Ms. ANDREA. What I can say to that can be dealt with in two ways. I am saving for a one year old, that's a very long way to go. On the other hand, I think it is an overall issue. I think everyone is involved in the savings situation that is at hand right now. We don't have all the federal support that we feel is necessary to assist our students, and yes, we are trying to encourage our students and their families to save toward their education. I mean, it's very difficult and as was stated earlier today, cost of housing in this area and particularly New Jersey, has made it very difficult on families. They are house poor. Sometimes some of the parents of our students are not eligible for home equity loans, so therefore, you know, we are using discretion and offering an institutional assistance or institutional loans help them meet that part of their desire to help their son or daughter with their education.

So I think everyone has recognized that needs come from everywhere, the student, the parent, the Federal Government, the state and the institution, but how much from each source is, I think, the important issue.

Mr. KATZ. There's no question that the responsibility is a shared responsibility, but by the time the student arrives at medical school or dental school, many of those resources are gone and very often parents tend to disown their children when they enter gradu-

ate school. At that point, they are no longer their responsibility. That's what we hear so often, they're on their own.

Graduate education is very expensive, particularly health profession graduate education. You go to an institution like mine, a public institution, the cost of medical school and all the supplies and books and in dental school, its dental school accessories are very costly and saving for undergraduate school is one issue and certainly difficult enought, but for going beyond that and saving for ones graduate education, appears these days to be a near impossibility.

Mrs. ROUKEMA. Will the gentleman, yield?

Mr. PETRI. Yes.

Mrs. ROUKEMA. What is the average or statistical mode for the debt with which a student graduates?

Mr. KATZ. The class of 1988, at our university, depending on which school within the university, graduated with a debt and this includes prior undergraduate indebtedness, of between $34,000 and $39,000. Now, that was the average. The range was from as low as $2,000 to as high as a $107, 000.

Now I'm talking about a public institution. If you ask the same question of someone at George Washington University or Georgetown University, the average may be $50, $60, or $70 and the high end is astronomical.

Mr. WILLIAMS. And you're asking us to make it easier? Do you see the dilemma we face?

Ms. ANDREA. Yes.

Mr. WILLIAMS. We have created a federal plantation of sorts. We have students into their fifth and sixth year after college working hard for the Federal Government.

Ms. ANDREA. Well, I have a sense of some of the students. At our institution, we have a theological seminary and obviously any student who enters the seminary realizes what the outcome will be. That is, the very low income, with the inability to pay that debt and that's why using base year income is very crucial to the students that I service because it is a disincentive up front to them to enroll in seminary and there are decreasing numbers within seminary across the country.

But those students are meticulous—meticulous in the dollars and the budgets they need to calculate in order to make it through seminary studies and they are very cautious as to how much they borrow, usually never taking a full amount of a student loan in one year.

But what happens is that we are in a dilemma because a family may have a calculated small need using base year income, when they do have need for federal assistance, work study, national defense, which is now Perkins Loan and we can award those funds to those students. We do make it available to them, but now it is on a case by case basis because we're using base year income and those students are very careful. They even try to save while they are in school and a lot of them are very frustrated by the time they are finishing their degree.

Mr. WILLIAMS. We thank this panel for your assistance and thanks for being with us today.

Our next panel has joined us. Eric Noehrenberg is a recent graduate of Princeton and a member of the Student Assistance Board and we'll hear from you first and then introduce your two colleagues.

**STATEMENT OF ERIC NOEHRENBERG, RECENT GRADUATE OF PRINCETON UNIVERSITY AND MEMBER OF STUDENT ASSISTANCE BOARD**

Mr. NOEHRENBERG. Thank you very much, Mr. Chairman,

First of all, I would like to thank you, Chairman Williams, Congresswoman Roukema and the other distinguished members of the subcommittee for allowing me the opportunity to express a student's view concerning the important issue of financial aid guidelines.

Speaking as a representative of the students of New Jersey and as a student myself, I cannot stress too highly the deleterious effects of increasing the students' financial burden as under the Congressional Methodology. In New Jersey, we have striven to maintain and even increase access to higher education for students in our state. As a member of the Student Assistance Board, I have voted to increase students eligibility for state assistance so that all students can have the opportunity to obtain the education which they need.

The Congressional Methodology, on the other hand, will actually decrease students' access to higher education. Many students of my acquaintance are already hard pressed to meet their financial obligations under the present uniform methodology.

With the new regulations, these students must not only give up more of their resources, but their eligibility for aid is decreased. Therefore, they are being asked to give more money while they are losing important sources of funding for their education.

Furthermore, the income earned in the summer before the freshman year is taxed twice, both as income, at 70 percent, and as savings at 35 percent. Also, what about students who are living away from home during the summer? They need to support themselves and cannot possibly save 70 percent of their earnings as required.

Students who are already on the edge, financially, will be forced out of higher education by the new regulations. Middle class students will be especially hurt since they are most likely to suffer substantial drops in aid under the new Congressional Methodology.

These more stringent guidelines will also discourage people from attending college altogether. I have often heard high school seniors parents express their discouragement when faced with the ever-increasing costs of attending college. They realize that even their greatest sacrifices will not be enough to make possible the best education for their children. They realize that even their greatest sacrifices will not be enough to make possible the best education for their children.

Their hope is that the government will augment their efforts to pay for education and help give students the opportunity to reach their potential. The new methodology will take away that and turn potential students away from higher education. That, I suggest would be a great tragedy.

The new methodology will also hurt certain programs designed to help complete students' educations. I was especially pleased to hear Congresswoman Roukema's comments about the importance of work in a student's education.

The cooperative program is such a program but it will also be adversely affected by the new regulations. Many students are now taking advantage of the co-op program to gain valuable experience in their chosen fields. The small incomes which they obtain as a result could, under the Congressional Methodology, reduce or eliminate their eligibility for financial aid. Thus, students would be driven out of the important and valuable co-op program not due to a lack of interest or need, but because of the financial constraints created by the new regulations. Programs such as the Educational Opportunity Fund and the Garden State Scholarships would be similarly affected. I think Doctor Ferris spoke to that issue when he spoke.

In conclusion, the Congressional Methodology will reduce access to higher education for America's students. Young men and women will not be able to finish or even start college, not because of lack of ability, but due to lack of funds.

This is not to say that a college education is indispensable for future success; indeed, not everyone is suited for college study. Yes, someone with the ability and inclination to pursue higher education should be encouraged to pursue his or her dream. Does America have so much talent that it can afford to throw away its youths' future in the name of financial expediency? I, for one, do not think so.

Now, I would like to address just one or two comments to the compulsory community service which was brought up by the President of Rutgers.

I can't say I will speak for all students, however, I'll speak for myself in this case.

I think this would be a very bad idea on practical and philosophical grounds. To begin with, students' educations are very structured in colleges. They need to study, they need to take classes, there's a very strong time constraint and adding an additional burden like this will take away from their educations, not add to it.

Second of all, what about working students who need their incomes to support themselves and their families? They cannot afford the extra time needed for some sort of community service.

And finally, I believe that the compulsory community service thing as proposed is sort of an involuntary servitude which I am very much against, philosophically.

If colleges themselves do not believe that this program is educationally sound, I think that Congress should respect their decisions and not impose such an alien idea upon them.

Thank you very much.

[The prepared statement of Eric Noehrenberg follows:]

Statement of Mr. Eric Noehrenberg

on

The Effects of Congressional Methodology

On Student Assistance

Before the House of Representatives
Subcommittee on Postsecondary Education of the
Committee on Education and Labor

June 20, 1988

First of all, I would like to thank you, Congresswoman Roukema, for giving me the opportunity to express a student's view concerning the important issue of financial aid guidelines.

Speaking as a representative of the students of New Jersey and as a student myself, I cannot stress too highly the deleterious effects of increasing the students' financial burden as under the Congressional Methodology. In New Jersey, we have striven to maintain and even increase access to higher education for students in our state. As a member of the Student Assistance Board, I have voted to increase students' eligibility for state assistance so that all students have an opportunity to obtain the education which they need.

The Congressional Methodology, on the other hand, will actually decrease students' access to higher education. Many students of my acquaintance are already hard pressed to meet their financial obligations under the Uniform Methodology. With the new regulations, these students must not only give up more of their resources, but their eligibility for aid is decreased. Therefore, they are being asked to give more money while they are losing important sources of funding for their educations. Furthermore, income earned in the summer before the freshman year is "taxed" twice, both as income (at 70%) and as savings (at 35%). Students who are already "on the edge" financially will e forced out of higher education by these new regulations. Middle class students will be especially hurt since they are most likely to suffer substantial drops in aid under the Congressional methodology.

These more stringent guidelines will also discourage people from attending college altogether. I have often heard high school seniors' parents express their discouragement when faced with the ever-increasing costs of attending college. They realize that even their greatest sacrifices will not be enough to make possible the best education for their children. their hope is that the government will augment their efforts to pay for education and help give students the opportunity to reach their potential. The new methodology will take away that hope and turn potential students away from higher education. That, I suggest, would be a great tragedy.

The new methodology will also hurt certain programs designed to help complete students' educations. In particular, the cooperative program could be adversely affected by the new regulations. Many students are now taking advantage of the co-op program to gain valuable experience in their chosen fields. The small incomes which they obtain as a result could, under the Congressional Methodology, reduce or eliminate their eligibility for financial aid. Thus, students would be driven out of the important and valuable co-op program not due to a lack of interest or need, but because of the financial constraints created by the new regulations. Programs such as the Educational Opportunity Fund (EOF) and the Garden State Scholarships would be similarly affected.

In conclusion, the Congressional Methodology will reduce access to higher education for America's students. Young men and women will not be able to finish or even start college, not because of lack of ability, but due to lack of funds. This is not to say that a college education is indispensable for future success; indeed, not everyone is suited for college study. However, someone with the ability and inclination to pursue higher education should be encouraged to pursue his or her dream. Does America have so much talent that it can afford to throw away its youth's future in the name of financial expediency? I, for one, do not think so.

Thank you.

## STATEMENT OF MRS. LORRAINE ANDREWS, PARENT OF TWO STUDENTS

Mrs. ANDREWS. Thank you. I am here today because I feel the current methodology used to qualify financial needs for college students is unfair and illogical. Based on my experience, I found that the present method unduly penalizes parents who live in areas that have recently experienced great appreciation in real estate values of their homes, such as in this New York metropolitan area.

The present method fails to sufficiently differentiate between fixed assets locked in primary residences and those assets that can be liquidated more easily and without seriously impacting the parents' quality of life and it results in totally illogical reasoning regarding the parents' ability to obtain outside loans because importance is put on assets with little regard shown for the cash flow or income the parents must live on.

I would like to specifically address these weaknesses as they relate to my own experience. In January of this year, my husband and I applied for financial aid for our daughter Hillary who is graduating next week from Northern Highlands Regional High School in Allen Dale, that's in Northern Bergen County, here in Jersey.

Hillary's top choices of colleges had price tags of $17 to $18,000 per year for tuition, room and board. Back in October, her high school guidance counselor told us she should apply to any school she wanted to and not to be limited by the consideration of tuition. Fortunately I had Hillary apply to two state universities as well with hope that financial aid would make it possible for Hillary to attend the private school she had worked so hard to get into.

Unfortunately, in 1987, it was a poor year, financially, for my husband and myself and a very unusual one. I started a new business after the company that I was with closed and my husband started another business venture after the free lance writing contract with his major account was not renewed and we both work out of our home.

Because we started two new businesses from scratch, our combined income for 1987 was very low. In fact, to make ends meet, we often had to dip into the home equity line of credit we got two years before when we renovated our 50 year old house.

After deducting our business expenses, our 1987 income was little more than the $18,000 tab for a year at one of the private colleges. Even with these unusual circumstances, we were turned down for any kind of financial aid from Hillary's top choice of schools. The reason, the large equity in our house. When I personally checked into this reasoning, I was told by the Assistant Director of Financial Aid at a Washington D.C. University that they felt I could borrow on my home equity. That conclusion was ludicrous and I explained why to this financial aid person.

We have lived in Upper Saddle River in Northern Bergen County for 18 years, so we have considerable equity in our house, however we have an original mortgage plus a home equity line of credit which at the time was just about at its limit. We had no other significant assets that we can liquidate except for a modest IRA.

I explained to the financial aid person that based on my previous experience as a former mortgage officer, I knew we could not qualify for another loan on the house because we both just started new businesses and because of our extremely low income in 1987, not to mention that we already had two mortgages on the house.

In short, the only way we could use the equity on our home was by selling the house. The appreciation on my house actually affected my cash flow negatively with higher taxes and increased insurance.

I explained to the financial aid person that just because one has the potential to borrow because of equity on ones house does not mean that one is qualified to borrow. Lenders not only look at the debt-to-equity ratio, but they also consider the income-to-debt ratio as well. Lending institutions want to know how the borrower is going to pay back the loan. They will look at past income and where the present income is coming from as an indicator or stability. They do not want to see self employed people with less than a year's track record. I told her there there was virtually no chance that I could get a larger home equity loan at this time.

She agreed with me and she said there was nothing the school could do because it had to follow a standard methodology set forth by the Federal Government in assessing to whom they would award financial aid.

When I asked her what I could do, because I thought this reasoning was unsound, she suggested I call my Congressional Representative, which I did.

In summary, I have found that the present methods for financial aid qualifications blindly adds a portion of the home equity to the parent's income. It does not consider the parent's ability to qualify for outside loans. It seems to assume that just because you have considerable equity in your primary residence, you can get financing. This is naive thinking. It is penalizing the parents who live in this area.

According to the present formula, if I were living in another part of the United States and had the same income, I would have had a better chance of qualifying for financial aid. The present system is keeping our children out of schools they have worked so hard to get into. It's affecting the future of our students adversely and unfairly.

My daughter is going to a state university this fall because we cannot afford to send her to the school of her first choice which specializes in the major she wanted to take. I hope our financial condition continues to improve so that she may eventually take the courses she wants to study.

I urge you to change this qualifying system to make it fair for all areas in the U.S. and to consider the overall financial picture of the parents.

I know I am not alone in my experience, I have heard it time and time again from other parents who have told me, "You can't get financial aid because you live in Bergen County." Even my business accountant told me he does not know of one person around here who has gotten financial aid.

In closing, I would like to make a suggestion. Corporations have shown us that the most effective systems are established with the

input of people from the bottom up. In this case the parents, the taxpayers. We're the ones who have made this hearing possible today because the tuition we pay has funded the colleges, their administrators and professors. Our taxpayers have funded the government officials.

If there are more hearings on this subject, I hope a broad base of parents will be given a reasonable opportunity to contribute. I would like to suggest that for future input, parents be alerted through local newspapers, high schools and PTOs well in advance and that they be encouraged to write if unable to attend.

Certainly the cross section of input obtained from a larger base of parents can better reveal the weaknesses in the current system and I thank all of you for giving me an opportunity to contribute to your decision making.

**STATEMENT OF THERESA CHERESNOWSKY, STUDENT, DREW UNIVERSITY**

Ms. CHERESNOWSKY. Thank you. I would like to thank you for the opportunity to speak on behalf of myself, my family and 11 of my college friends.

I am a junior at Drew University. I am from a family of six with an income of $50,000. I am the first to attend college and in the fall my mother and sister will also be attending.

This past year I have been fortunate in that I am the recipient of a Drew Scholarship as well as federal assistance, Perkins Loans, work study and Guaranteed Student Loans totalling $10,364. All of this assistance, however, is not enough. My parents needed my help in covering the family contributions beyond the $918 which was my original responsibility.

I applied for financial aid for the coming fall on one of the most complicated forms I have ever completed and received an acknowledgement from the processor of my estimated contributions and my parents' estimated contributions. This is where the panic set in. My contributions jumped from $918 to $1,306 and my parents are expected to contribute $2,228 for me and the same amount for my sister. With paying a mortgage and supporting a family of 6, my parents suggested that I take a leave of absence for the semester because we couldn't afford school in September based on the estimate provided by CSS.

I then went to the Financial Aid Office at Drew. It was explained to me that 70 percent of my base year income was used to calculate my contributions, thus the jump. I did not realize that I should have been saving all last year. I used the money to assist my parents to buy a pair of eye glasses which I needed and for general living expenses. I currently do not have that money. I am now working on a summer work study job on campus trying to save some money for the fall after paying my room and board.

You might ask: Why aren't I working somewhere else? Well, it's not in my best interest. If I work elsewhere, 70 percent will be used next year to pay for my education. The incentive to work is gone. I feel trapped. I would use just as much of that money as I earned as I could for furthering my education, but with the system, it's just not possible.

In speaking to my 11 classmates, there are constant themes within our conversations which dealt with the above problems, the difficulty of completing the financial aid form, the initial information that our parents received from the processor and the inability to provide 70 percent of their prior year income.

For the sake of time, I would like to concentrate on the last. As a group, we feel threatened by the new law. We do not understand Congress' intent. We support assisting and paying for our education. However, a more realistic and understanding approach will assist each of us to obtain our goals. We should not have a disincentive to work. Many of the students are seriously considering taking a leave of absence in the fall because they cannot afford their own contributions.

I again thank you for the opportunity to share my views and those of my classmates with you. I feel privileged to be talking to you here today. Thank you.

Mr. WILLIAMS. Thank you. Mrs. Roukema.

Mrs. ROUKEMA. Mr. Chairman, I have a sense of deja vous. Charlie Hayes and I came into Congress the same time, didn't we Charlie——

Mr. HAYES. That's right.

Mrs. ROUKEMA [continuing]. And of course, Pat Williams was already there in 1981 when we fought the battle of the Student Loan Program at that time and without detracting from the time of the panel because we do have questions here, I think there is a point in telling a little bit of its history.

I was the first person that said to David Stockman, no, David, you and the President can't do that. You're eliminating college access to a whole group of people and you're saying maybe the poor can go to college and yes, the rich can go to college, but the middle class, forget it and that was the beginning of our coming to the needs-based formula that we finally decided upon which did foreclose high income people who were taking advantage and ripping off the system, getting low interest rate loans and then putting their money in money market funds at high interest rates. That was an abuse of the system and we closed them out with that needs-based formula that we worked out.

But we wanted to preserve, not only the programs for the poor but also cash flow for middle income people like yourselves.

If we now, Mr. Chairman have created a situation where we are foreclosing exactly the people that we were intending, when we put the CM program, Congressional Methodology, in place, then this hearing has served a very valuable purpose.

I would like to ask Lorraine because I'm not quite sure—by the way, I wanted to thank Mrs. Andrews, we have never met before, but I am happy that you called the office. I hope we can help you out. I don't know whether or not we'll be able to for this year, we shall see.

But you have explained in excruciating detail the problems that middle income people have with this fixed asset question. Certainly you have proven what my own conviction was about this. I don't know whether or not all my colleagues will agree with me on that, but this is one of the cruxes of the problem, as far as I am concerned.

But I want to ask the student now, Lorraine and/or Eric—Lorraine, did I understand that you were in school—yes, you were in school——

Ms. CHERESNOWSKY. I'm Theresa.

Mrs. ROUKEMA. I'm sorry, Theresa, I meant Theresa.

Theresa, you were in school, were you a freshman or——

Ms. CHERESNOWSKY. I'll be a junior in the fall.

Mrs. ROUKEMA. Oh, you're going to be a junior.

Ms. CHERESNOWSKY. Yes.

Mrs. ROUKEMA. So what is precisely the decline in student loans? You no longer qualify, period, is that what you're telling me or is the decline in your loan program equal to what?

Ms. CHERESNOWSKY. The problem is that students that worked last summer at a higher paying job and weren't aware of having to save for it, those students feel that they might not be able to come back in the fall because they weren't prepared.

Mrs. ROUKEMA. What do you understand your decline in actual dollars that you qualify for would be? Are you totally eliminated from the program or is it just a halving of your loan program or is it more than that? Do you know?

Ms. CHERESNOWSKY. I think it's just that the student's contribution will go up and the loans will go down.

Mrs. ROUKEMA. As a combination?

Ms. CHERESNOWSKY. Right.

Mrs. ROUKEMA. So it would prohibit you?

Ms. CHERESNOWSKY. Right.

Mrs. ROUKEMA. I would say before you make your decision that we go into this in a little more detail with someone who is knowledgeable on the subject, your loan officer and someone in my office, if we could do that. I would hope it's not as difficult a problem as you seem to feel.

Eric, would you like to comment on that question?

Mr. NOEHRENBERG. I just graduated so I have not been affected by this thing personally. I have always been able to talk my way through to the other members on my committee on student's assistance work.

Mrs. ROUKEMA. I do have a question for the students. What is your wisdom to us concerning the default problem with respect to students in default? Mother, if you would like to address yourself to that question as well.

Eric, what is your understanding of the problem? How do you view it?

Mr. NOEHRENBERG. Actually, I'm glad you brought that up because the Chancellor and I have talked about this while I was on the Board and we actually went on Channel 50 at one point to discuss it.

The problem with the default problem in my opinion is the fact that originally the programs were designed to be grants for the poor people and the people with less resources, those who were in middle income and then, you know, upper income don't need as much.

The problem is that with inflation increasing, like bracket creep and such, rules being going more and more towards the poor people with lesser resources and leaving the middle class, they're losing

their access to them. And the problem with giving many large loans to the poor people is the fact that they have less resources and they really don't have their foot in the door that many middle and upper class people have. Therefore, they have a much harder time paying them back.

What I would see as a possible solution would be to go back to the old way of giving the people who don't have many resources grants, giving them the education. They're going to have a hard enough time as it is making ends meet. Why increase the burden and give the loans back to the middle class for whom they were originally designed.

Mrs. ROUKEMA. The problem with that is the price tag. If you make it an entitlement and some of my colleagues here would agree with you, in terms of it being an entitlement there is a price tag for this.

Mr. NOEHRENBERG. But with the defaults, there is also a price tag you're going to pay.

Mrs. ROUKEMA. Yes, there is, a tremendous price.

Mr. NOEHRENBERG. I would suggest to you that you might as well give them as grants if they're not going to pay it back anyway.

Ms. CHERESNOWSKY. The problem with default is that right now you're giving the loans to the lower class who have a history of defaulting and not giving to the middle class so everything is really getting hurt because the middle class who could get jobs and pay back the loans and add to the economy aren't going to get the opportunity to go to school and it is just going to build and make everybody poorer.

Mrs. ROUKEMA. Mrs. Andrews, do you have any comments?

Mrs. ANDREWS. I don't have any comment, but from listening to the panelists who seem to be of the same opinion, I would agree with what they are saying.

Mrs. ROUKEMA. Let me go back, though, to what you stated there concerning the Pell Grants. You see, giving the Pell Grants does not really resolve the problem in terms of the costs. It's a terrific cost to the federal treasury and we have to accept that and at the same time the default rate is contributing, as you quite accurately pointed out, to the deficit. It's taking more than a third, $1.8 billion each year, but it is more than a third of the whole budget for student aid and Pell Grants combined, so we have got to get at the problem.

But I would not agree with you that the answer to the default rate is to give the money away. There may be other requirements that can be required to pay.

The question is: How many of those students who are dropping out, perhaps were enticed to go into programs that they shouldn't have been enticed to go into? That is another part of the subject, particularly in the two year and proprietary schools and that is a problem not only for the students but it's a problem for us in terms of evaluating and assessing the quality of the proprietary schools and the programs that they have. Thank you very much, Mr. Chairman.

Mr. WILLIAMS. Mr. Hayes.

Mr. HAYES. Am I correct in the conclusion, based on your testimony, that all three of you are opposed to Congressional Methodology as it currently stands, is that right?

Mr. NOEHRENBERG. I would agree.

Mr. HAYES. Mrs. Andrews, not knowing anything about the county setup in New Jersey, at least if I understood your remarks, you might be able to get a loan if you moved into another county. What was that?

Mrs. ANDREWS. No, not another county. I'm talking about another area of the country that has not experienced the appreciation of real estate that we have experienced in the past few years. In other words, if I didn't have as much equity in my house, that portion of equity would have been added to my income to make me ineligible for financial aid.

I had nothing to do with the equity in my house. It's just because I was here and the environment brought up real estate values.

Mr. HAYES. You have no problem with the students being able to get an education through federal assistance who don't even have a house to use as equity?

Mrs. ANDREWS. I have no problem with that. I have no problem with that at all.

Mr. HAYES. Because I share your view. I don't know if I understand you. You said that you have lost the incentive to work, yet you'll need money.

Ms. CHERESNOWSKY. It's not that I don't want to work, I do. I think that I would—it's important that I work for my education because my parents can't afford to pay for it straight out, but the problem comes from, we need some—we're expected to contribute so much money as a family, part of it is mine and part of it is my parents and this year particularly, my sister was starting college and my father didn't know if he would have the x amount of dollars, $4,500 and something in September and he said, get yourself a good paying job and just save all the money that you can so that we can have that extra money in the fall.

But, I can't do that this year because I have to save 70 percent of that money which would become my contribution and it couldn't be my parent's contribution. I could not use that money for my parent's contribution and that is what I need to do. A good part of the money that I earn is to make it go for the family contribution.

Mr. HAYES. I turn it back to you, Mr. Chairman.

Mr. WILLIAMS. Thank you. Mrs. Andrews, the fixed asset problem, particularly on homes that you refer to, does not represent a recent change, but nonetheless, that is a recent change in the law. It predates the most recent change in the law. However, you object to it nonetheless and your objection is understandable.

Had we followed your suggestion and reduced or eliminated the fixed asset consideration from student financial assistance and let's say we had done that the year that President Reagan first took office, the cost to you, as a taxpayer would now be $1,500,000,000.

Too many Americans believe there is no connection between the ballot box and then what happens in public policy. When you say to us at the ballot box, cut the deficit and don't raise my taxes, BINGO, we do it. We save a $1,500,000,000 by refusing to follow your suggestion, that's one way we did it.

There is a connection, folks. I think, if I remember right, Fritz Mondale carried one state and so we're doing what those other 49 states want. We're saving money. We save it in this program and in that program and fortunately not in every effort do we save money, but we are saving it.

When we save it on student financial assistance, we don't save it in a place where I want to save it, and I voted against that. However, I am not surprised that the majority of members of Congress will not vote to spend significantly more amounts of money because people in 49 states said we don't want you to do that. There is a connection, even though many Americans don't believe it, between the way you vote and the fact that you then go down to the Student Financial Aid Center and they say, "No, Congress says you have to include these assets of your home."

So you see the problem is not that we don't listen to American's parents. In this instance we did listen to them.

Mrs. ANDREWS. But don't you agree though that there is a lot of importance placed on the fixed asset within the home and perhaps not as much on other assets such as stocks and bonds that could be liquidated.

Mr. WILLIAMS. Well, that's right, but——

Mrs. ANDREWS. And also because of the importance on the home equity, we are penalized because we live in this area.

I want lower taxes too. I don't like to see taxes go sky high either, but I think all the parents ought to be treated fairly and I don't think we're being treated fairly here.

I don't want to pay a billion and a half dollars more, no way and I am a responsible parent. If I don't have enough money to send my kid to an $18,000 school, I'm not going to send her there, but please don't penalize me just because I live in this area, and don't give me excuses that I can go out and get a loan when I don't have the income to afford to get a loan. No lending institution is going to give me money for more home equity or another mortgage and I don't have any other liquid assets. That's an insult to my intelligence and I don't care—I don't care if I don't get money just as long as I'm being treated as fairly as everybody else.

Mr. WILLIAMS. What would you say to my Montana ranchers who have ranches as big as your state and resent when we count those assets, what would you say to them?

They think you got a deal and we're treating them unfairly. They have multi-million dollar spreads out there, a few of them do. Most of them live in a district that I don't represent. I represent the Western half of the state. Most of the big ranches are in the Eastern half. But the point is that they would believe that they are being treated unfairly and do believe they are being treated very unfairly because we count those assets.

But I expect that the people here and in many other places where you don't have these huge ranch estates would believe that we should count their assets.

Mrs. ANDREWS. I'm not talking about a few multi-millionaires. I'm talking about your common ordinary everyday taxpayer.

Mr. WILLIAMS. These fellows are broke. They have no liquidity. They are broke. The last 7 years have busted them. They're sitting on $4 million estates.

Mrs. ANDREWS. Well, let them sell part of it.

Mr. WILLIAMS. That's what they say about your house. But our assets are diminishing, our land prices are going down and Mrs. Andrews has got a good deal because she lives in a place where the prices are going up.

Mr. NOEHRENBERG. With all due respect, Mr. Chairman, we're living in these houses. You can't like saw off half of it and sell it off, but you can sell off half your land if you got it.

Mrs. ANDREWS. Right.

Mr. WILLIAMS. I agree. Let me tell you that despite playing devil's advocate, I agree with you, but I am not surprised that the majority of Congress does not agree with you because election results tell us not. That's my point.

Mrs. ANDREWS. Right. Again I am not for spending more money, but I am for being treated fairly and equally. That's all I ask.

Mr. WILLIAMS. There are those who would debate that and say you are being treated fairly.

Mrs. ROUKEMA. You know, we have a wonderful opportunity here, I mean, we're giving my constituents a wonderful opportunity to recognize the thing that I learned, to my astonishment my first year in Congress and that is that this country is very very diverse geographically, ethnically, socially, economically. It's rich and diverse and it's all represented, every single group is represented in the Congress through their Congressional representatives and when you get an issue, whether it's this issue or an issue of what level of defense or whatever and the American people sit out there and say, "How could they come to that conclusion?"

Well, it's because it's a synthesis of so many diverse interest groups and I mean interest groups in the best sense of the word and so many diverse economic groups and we have to put up with Montana ranchers and union people from Chicago, right?

Mr. HAYES. Right.

Mrs. ROUKEMA. And they have got to put up with me, you know, and my middle class constituency. But it is important for us to understand the multi-dimensions of the problem so that we can come to a resolution that is fair and equitable and I knew that the Chairman would not let me down, he would not let this Committee hearing conclude without doing his usual devil's advocacy act here.

Mrs. ANDREWS. And Mrs. Roukema, there are many more middle class constituents than there are Montana farmers loaded with hard assets that they don't want to liquidate.

Mrs. ROUKEMA. Yes, there are. Quit while you're ahead, because the Chairman has just agreed with you.

Let me just make one other point though. We don't need it exactly for the record of this hearing because it has been raised in other hearings, but I do want it to go on record, in response to Eric's comment, and I neglected to pull this statistical fact out for the public to hear.

When I indicated that there are budgetary consequences to what you're talking about in terms of reducing the loan program in favor of a grant program, that is beyond the actual numbers.

The fact of the matter, and this is one of the intricacies that we have to deal with in the budgetary process and Chairman Williams knows this better than I because he serves on the Budget Commit-

tee as well. But the loan program does leverage additional money. We leverage about $9 billion in student aid for an appropriate of about $3.2 billion. That's like 32 cents on every dollar, so you see, as you get into the program, you understand that we are able to give so much more out to so many more because of leveraged dollars that are on loan and that is also part of this equation and one of the reasons, it's unfortunate, but one of the reasons it makes it more difficult for us to give additional grants, as much as we would like to.

Yes, Eric.

Mr. NOEHRENBERG. I just wanted to clarify. I was more advocating shifting the entire loan program, not reducing it, but shifting it to middle class.

Mrs. ROUKEMA. You made a perfectly legitimate case and I just wanted you to understand some of the other economics involved.

Mr. NOEHRENBERG. Thank you.

Mr. WILLIAMS. The loan program is, by the way, extraordinarily successful, particularly from the standpoint of being paid back.

You know, think about this scenario for a minute. You're a banker. A lowest of the low income person comes in and asks for a loan, no collateral. Do you make the loan? Absolutely not. Does the Federal Government make the loan? You bet. It says to the banker, make the loan, we'll guarantee it, go ahead.

The kicker is that these people pay back the loan at a rate of 91 percent, higher than the middle income people are doing that are putting collateral down. Guaranteed Student Loans is phenomenally successful on the pay back rate. The problem is that we have so much money loaned out there, that even a 9 percent default rate is costing us a $1.5 billion.

Well, we very much appreciate each of you coming before us and helping us today. Thanks a lot.

Our final panel will consist of Dallas Martin and Brian Fitzgerald.

Dallas Martin is the Director of the National Association of Student Financial Aid Administrators and also a member of the Advisory Committee on Student Financial Assistance.

Mr. Martin, it is always nice to see you, please proceed.

## STATEMENT OF A. DALLAS MARTIN, JR., DIRECTOR, NATIONAL ASSOCIATION OF STUDENT FINANCIAL AID ADMINISTRATORS AND MEMBER OF ADVISORY COMMITTEE ON STUDENT FINANCIAL ASSISTANCE

Mr. MARTIN. Thank you, Mr. Chairman. I certainly appreciate the opportunity to be here and particularly in Mrs. Roukema's district at this institution which happens also to be a member institution of my own association, so I am delighted to be here and it's always nice to see you too, Mr. Hayes.

Many of the comments that you have already heard today, we would like to comment on too and let me introduce to the committee Brian Fitzgerald who serves as staff director for the Advisory Committee on Student Financial Aid which Congress authorized as a part of the higher education amendments of 1986.

Brian is the person that is responsible for preparing the recent recommendations which we have transmitted to the Congress and to the Department of Education in our interim report, looking at some of the issues that are related with the delivery system and with need analysis in particular and so we do want to spend some time with you.

What I would like to do today is just, perhaps as a little background, talk about, I think, some of the broad issues you have heard.

As you all know, prior to the passage of the Higher Education Amendment of 1986, the primary need analysis they reviewed, particularly to distribute the campus based Student Aid Programs, was known as the Uniform Methodology.

As a result of the changes that occurred, because of the reauthorization, we now have used that structure and basically most of the principles from that methodology to form a new system that is now codified into the law known as the Congressional Methodology.

I think it's fair to say that anyone who has worked in this for a long time would find that while there are certain differences between the two, there are certainly a lot of similarities. It is also important to understand that some of the changes that were made, contrary to some people's popular opinion, were not made accidentally, they were made very consciously, with members of the Congress and the staff, visiting with a lot of members, a lot of people and some choices were modified in the current methodologies.

We have certainly, through our association and the Advisory Committee at our last two meetings, have attempted to review the current formulas to get some idea of what the impact is. And, I think there are just a small number of changes that I would like to comment on, most of them have been touched upon by various witnesses before this subcommittee today.

Let me just review, very briefly, about five issues that I think are critical, four of which are outlined in my written testimony but one other one which I will comment upon because of some comments that have been made here previously.

These are really, in my opinion, the primary changes that were seen within the methodology and, while there are others, these are the most significant and I think are causing most of the discussion and perhaps some of the concerns from various members.

The first that has been referenced many times today, is the use of the base year rather than the estimated year income in determining the exclusive contribution in the case of dependent students and also in the analysis of independent students.

This is a major change from what we have had previously. It came about primarily because of concern about insuring that we had reliable data. There had been criticisms before because of quality control studies from the Department of Education and so on that said, well, when we have gone back, we have discovered there is a certain amount of information that people have submitted in the system that was wrong and the reason for that was that it's very difficult for people to make an estimate a year in advance of exactly the amount of money they're going to have.

And even though the analysis that was done by the Department shows that it was not as bad as they somewhat reported, but there

was a concern that we move the base year income so that it is verifiable, that we could actually take a tax return and we could look at that to make certain that is what people had. So that, in large part, is partially why we went to that.

The problem with that is that while it is now verifiable, it may be total meaningless because for independent students, as you have heard, in some cases, as one of the witnesses testified earlier, an individual is working full time, that he or she gives up their job and goes back to school and is not going to be able to work as much and maybe less. Clearly to expect them to have the same earnings on what you can assess their needs, is not fair.

Now there are a couple of ways that this could be dealt with. You can clearly try to make these adjustments when you know that it's under the professional judgment, that is provided in the law to need administrators, but you have also heard several comments today from many knowledgeable people about the complexities and some of the details in doing that paper work and particularly on a one on one basis.

The other approach that we had, which some people would favor would be to continue to use estimated year and then to monitor it and make adjustments that go along.

This is a dilemma that there is not an early solution to. You will find different people that have different opinions on this and so therefore, I think, as the Advisory Committee, we have looked at this and decided that, at least in the short term, that we felt there were some reasons that the Congress wanted to use base year income and so the question is now, how to try to do that with reliability and verifiability of it, and at the same time, try to work out the adjustments that are necessary for those where it is wrong.

Mrs. Roukema, let me just make a comment, because you made a question to one of the witnesses earlier about the blimp in earnings and this is exactly the place it is.

For a student that had this dislocation that was working full time and now goes back and starts their program of study, you're correct that for that first year, once you have made that adjustment, if that person continues in pretty much the same direction in the future, we assume then that the next year's earnings, because it is going to reflect what it was during that year, is not going to cause the problem. But that is only in that independent student case.

The other place with base year income, that I think the witness responded to you about and said, no, because they were perceiving it differently, they were interpreting it that you were talking about the dependent student earnings in the front end and there is a distinction there that we need to keep between the dependent student earnings as opposed to the base year earnings on the independent student. It's a one time anomaly until they go ahead and progress through.

In mentioning that subject, that brings me to really the second point that I would like to talk about and that is somewhat the dependent student earnings and, in particular, the taxation rate on those because that probably is the one issue that we're hearing the most about and has probably been referenced here the most this afternoon.

Prior to the Congressional Methodology, the old Uniform Methodology simply required a minimum expectation of all students, the belief being that students certainly have a responsibility to their ability to contribute to the cost of their education.

And that same principle is carried forward in the Congressional Methodology, in that freshman students are required to have a contribution of $700 and upper classmen $900, as a minimum.

We also put into the Congressional Methodology a change that also said, in some cases students have additional amounts beyond that and if they do, is it not reasonable to expect some portion of that to be used toward that student? The rate of 70 percent was chosen, somewhat because that had previously been used in looking at independent students in terms of some proxy.

I can't say that it is a good figure or a bad figure, but at least it is the figure that was chosen. The fact is that now that we have gone to base year in doing that, we are clearly causing many many students such as the one young lady that was just here in this chair before me. That because of those students that have earned the year before, we're now asking those that have more significant earnings, that have been the most industrious, to come forward and ask that 70 percent of that be available for the next year.

It's not only that we're taxing 70 percent of it. For a thrifty student, if they had saved it, because we're picking that up off the tax returns, if they had put it into a savings account, we come back on the asset side and take 35 percent out of the savings expectation so, in essence, they get a 105-percent contribution as opposed to anybody beyond the minimum and I think that is really unfortunate. I think that is something that we can address. We have had conversations with the Department of Education about how to deal with some of this and hopefully there may be some changes coming forward from their regulations. But it is a problem in the formula and it was one that I think was not understood and perhaps somewhat, that we did not spend enough time on when we were developing the legislation. But it is significant and it's having a major impact upon a little over 40 percent, nationally, of all dependent students who have earnings above the minimum.

We are finding from some of the analysis that has been done that those changes in contributions for many of those students is a decrease of on the average between $1,200 to $1,600 and that is an average and some are either higher or some are lower.

So that is a significant issue that we would hope that the subcommittee would look at.

Let me turn to another issue and one that has now really been resolved, but one that we also, as an Advisory Committee, are recommending be changed and in which some of you may still be hearing some comments from some of your constituents, and that was the removal of room and board and other living costs that are associated with independent students with dependents from the student expense budget and incorporate it in a minimum standard maintenance allowance into the formula.

Now very candidly, the reason that Congress consciously put a standard maintenance allowance into the formulas for independent students with dependents, was the fact that they were finding that

different institutions were building student expense budgets quite differently and there was no consistency.

Some institutions, in the majority, were very responsible and were trying to build reasonable student expense budgets, but some were not and as a result there were some students that were independent students, particularly with dependent children, that were simply not getting a fair break and were experiencing real hardships.

So the decision was, let's look at those people more the way we looked at dependent parents and let's put right into the formula some kind of a minimum standard allowance that will compensate for what basic costs should be with raising that family. And then we'll look at the student, in terms of the additional expenses that he or she has, obviously, that take care of the direct educational costs.

Well originally the Department of Education had interpreted that with this change, that because it was built into the formula, that for a student, an independent student whose income was less than that Standard Maintenance Allowance, that the institution could make no adjustment, and the only adjustment you could make was strictly for child care.

Now again, I know that members of this subcommittee, Congressman Ford, who is a member of this subcommittee, Senator Simon and others had written to Secretary Bennett. The Secretary realized that he had, perhaps, misinterpreted that. He has now issued a new change and has said that now, in fact, for an independent student, whose income is less than the Standard Maintenance Allowance, that the institution can build that into their budget and therefore it is allowable so that you take care of that gap that existed with some students and particularly those that had the least amount of income and support.

I would suggest, however, and I think the Advisory Committee has recommended that we still put that into the law, however, to insure that there is not that same misinterpretation at some point in the future.

The fourth change is one that you may not be hearing as much from your constituents, but we are certainly hearing from institutions in many cases and this was a very conscious decision to treat independent students with dependents similar to the way that parents are treated in the dependency models.

There were a lot of associations and groups that, during the reauthorization hearings, that said we would like to see a change and particularly for a single parent that had dependent children that they are supporting that we ought to treat them more like dependent parents. And, I think most people agreed with that. They felt that that ought to be a change.

While that was the original position that was advanced by the House, it was modified by your colleagues in the Senate and it came back and through the conference, it came out that they would treat independent students with dependents all the same. So they're all now treated similar to the way that we treat parents as dependent models.

There obviously are differences of opinion on this. What this does and what it has resulted in is that, for most of these independent

students now, by giving them all the same allowances and the same offsets as you do parents, most of them now have very minimal contributions toward student aid and as a result of that, their eligibility has gone up dramatically to the point that most of them are now fully eligible for every single program. Now whether that was totally the intent or not, I would say that we have heard a number of people who said, who were probably parents or single parents that had dependent children which they are supporting, "We think that is a good value judgment."

There is less agreement in the case of two students who get married and do not have children and therefore whether or not they should be treated with all the protection, as you do dependent parents. That clearly gets into something that is a policy or a value judgment, but there are those that believe that that was wrong and that it shouldn't have been that way. That is obviously a decision that Congress made at that time, and it's one that I am sure that Congress will continue to evaluate and make some decision to either keep or to change in the future.

One other issue that I did not mention here, that we're hearing, and I think it's tied into this even though these four deal with need analysis. It's a question why, as many people are saying, why has my eligibility for a loan particularly changed. I was eligible last year, why am I not eligible this year.

Well, the reason is very simple and I would just say to you that primarily it's due to a little piece of legislation called Gramm-Rudman-Hollings which imposed upon all of the committees the requirement that you had to come up with major savings. As a result of this authorizing committee, when you were trying to do the reauthorization, you had to make some very difficult choices and one of the choices that the subcommittee made is that in order to maintain kind of a minimum support and provide some slight increases in grant aid and maintain a campus base program, it was necessary to come back and tighten up on the eligibility of the loan programs.

And so what you made a decision to do, which was to require need analysis across the board for Guaranteed Student Loan families to insure that those dollars and those heavily subsidized loans are being directed to those most in need.

Additionally, however, you expanded and made possible the use of parent loans and supplemental loans for those people who did not qualify and while the terms on those are not as favorable, clearly it does provide a source of capital. That was not an easy decision. I know it was not a decision that most members of the House and Senate authorizing committees wanted to make, but I do think it was an economic necessity and a balance that had to be judged at that particular point in time.

The problem is that along with making new need-based Guaranteed Student Loans, we not only have no longer the use of the look up tables that didn't look at assets the same. We also no longer allow them the flexibility, since it's need-based, to substitute that for parental contributions which many middle and upper middle income families were doing.

And so that has caused a lot of concern and I hear it every place I go and I am sure that you do and it's just a reality somewhat based on budgetary premises.

We have looked at this as an advisory committee on all of this and while we recognize that there are not easy solutions, we tried to come forward, and I think it's reflected in the interim report which Brian had transmitted on our part, to basically, at least, for this year or two, to basically try to come forward with only a minimum number of changes until we have more time to do some additional review of some of these changes.

Because some of the shifts that were seen, while we know they're going on, we don't know whether they will be good, bad or indifferent over time. I think it's safe to say that most institutions are hearing more from their continuing students because they see the difference than they are from entering students who don't know any differences. They don't know that you're expecting more from them, so I suspect the people they are hearing most from, at least the financial aid people that I talk to, are the renewal students or people that are now coming back that had children in school a year or two ago and say, "Why has this changed so much?"

What we have recommended, as an advisory committee, it's basically four issues that we think should be put forward immediately that will help and I want to address these major issues, but I do think they are critical to provide some modification and helps.

One is a minor modification on the independent student definition which we spell out for all of our regents that will help to simplify the process and also will avoid a lot of students from automatically becoming independent during their third or fourth year of educational studies because of the $4,000 limitation.

Second is that we would like to explicitly permit aid administrators to use professional judgment in assisting those low income students that I mentioned earlier with independent student families that have incomes that are less than the Congressional Methodology. And, as I said, while the Secretary's change has taken care of that, we would still like to have that in the law.

The third recommendation that we would make deals with the changes in veterans benefits and you have heard several people today reference that. The fact is that there is not consistency between the Congressional Methodology and also the Pell Grant formula and we ought to, and what we're recommending is that you collect information on all of them on the form, but then we treat it as a student resource and they all count as a resource at the institution as a part of the packaging philosophy.

Fourthly, we would recommend the change to eliminate the inconsistencies as a result of the Higher Education Act regarding the double counting of earnings from the prior year and the base year and the following year and particularly those that are non- need-based and work out that problem on those.

We have some other suggestions that we're looking at and a number of issues that we are also continuing to study, that you have assigned to us and others that we think are important, including additional changes on simplifying need analysis.

We expect to be able to report back to you soon on many of those issues. Let me also say, however, that we are really at a critical

point and if any of the recommendations that the Advisory Committee is going to make that will have a chance of being involved in the 1989-1990 Application Forms, we need to move very quickly since those final forms are in clearance at the Department of Education and OMB at the present time.

So I would say to you, in all candor, that if we're not able to get legislation through, within the next 30 days, and I understand the time frame, I am not certain that we don't run the risk of delaying those forms and if that's the case, I am not certain that we would not want to recommend to you that, unfortunately, we would have to hold off on some of those to 1990 and 1991.

Those changes that do not affect the application, however, that can be dealt with in the methodology, the formulas could still be enacted.

So questions like the change on the definitions which is co critical to the form issue on the independent student might not be able to be resolved, but we could deal with some of the formulas and the other changes that are in the formulas that could be reprogrammed. So we might have a compromise on that and we would be happy to work with the staff in dealing with that.

Let me just very quickly, in conclusion here, say that there are two other quick issues that I want to bring to your attention that are certainly a concern of my own association with NASFAA and again, one of these today was mentioned and that's the treatment of parents and the offset for parents in the Family Contribution.

There is history in my testimony about the background and why that is going on and I think that the concern that we have is that there are legitimate reasons for parents to go back to school. We don't want to take that away. But, what we do believe is that those parents should be subject to the same eligibility criteria that is assigned to students. And that is that they should be matriculated into a program that is in a degree or certificate program, not simply taking enrichment courses and we also think that they should be enrolled at least half time or more, just as we expect of students and otherwise, they should not be able to get the offsets from them.

Another issue is with the Simplified Needs Test and the problem that we have here is not really as much your problem as it is changes in the Tax Reform Act. I would note that that has caused several problems. One of the changes that we have now is that in order to report the taxable portions of grants and scholarships, the only way you can do that is by filling out the regular 1040's. Do not report that on the 1040EZ or the 1040A.

So by necessity, with low income students that we're trying to serve with a Simplified Needs Test, below $15,000 will put them through one year and the next year, because they got grants, we'll have to report them on the other and they are out.

And so we have some suggestions here that you may need to relook at in changing that which we think would be helpful too.

In conclusion, let me just say that you have a very difficult task. Not only are you fighting with the loan default issues right now and tremendous pressures to bring that down. We have heard here a lot of concerns of people saying, well can't we make the formulas a little better for us, we would all like some of it. We have got tre-

mendous budget deficits right now. We've got a lot of differences of value judgments as to how people are dealing with this and a lot of the issues, I have to say to you in all candor, boil down to those kind of political choices that one has to make versus some of the hard economic choices.

Unfortunately, while I hear many people say, you know, I don't think I'm getting my fair share and I have a lot of sympathy with them and I do think our government and all the resources and wealth that we have in this country should be serving them. The fact remains, even on issues such as home equity which is so emotional to people or talking about farm assets or selling off your lands as the ranchers in Montana, those are assets and under the methodology we protect a certain portion of it, we tax a certain portion, we don't take it all.

But I think it is also important to remember that there are many many many thousands of Americans out there that don't have any of that.

And when you have very difficult choices and very scarce dollars, it's difficult at times to know who should receive which portion of that.

I think you have done a good job of trying to stretch it about as far as you can.

I think the thing that concerns us, on the whole thing is that while we do not want to lose and keep the scarce dollars away from the low income and those that have the least chance to help themselves, I do state that it's really important to try to maintain and get, perhaps, additional money to assist hard working Americans that are paying the most into the system. Maybe that takes some changes in priorities on how we are spending, but I think that is what we have to look at for the future.

I thank you for the chance to be here. Brian and I, either one, will be happy to respond to questions.

[The prepared statement of A. Dallas Martin, Jr., follows:]

Statement of

The National Association of

Student Financial Aid Administrators

Before the House Subcommittee on Postsecondary Education

Field Hearing on Congressional Methodology
Used to Determine Eligibility for
Federal Student Assistance Programs

Presented by

A. Dallas Martin, Jr.
President

June 20, 1988

Mr. Chairman, members of the Subcommittee, it is indeed a pleasure to be with you today at this field hearing, and to have the opportunity to discuss with you our preliminary assessment of the Congressional Methodology used to determine eligibility for Title IV federal student assistance programs. I actually appear before you today in two capacities. The first is as a member of the Advisory Committee on Student Financial Assistance. In this capacity, I would like to share with you the Committee's recommendations regarding the Congressional Methodology. These recommendations were transmitted to the Congress and to the Department of Education in an interim report issued in April of this year. I am accompanied today by Mr. Brian Fitzgerald who is the Committee's Staff Director and the person responsible for preparing the Advisory Committee's overall report. The second is to offer some additional recommendations and comments on behalf of the National Association of Student Financial Aid Administrators, the premier student aid organization, of which I am President.

As I'm sure you know, during the Reauthorization of the Higher Education Act of 1986, the Congress made a number of changes to the federal student assistance programs. Included in those changes was the decision to codify in law the actual need analysis formulas used to determine not only a student's eligibility for the Pell Grant Program, but also those formulas which must be used to evaluate a student's financial need for the campus-based and Guaranteed Student Loan Programs. The decision to codify in detail both methodologies was primarily in response to two issues. The first was to impose limitations on the Department of Education and Administration officials who had attempted to modify or manipulate the Pell Grant formulas for their own budgetary or policy goals over the past several years. The second was to place the responsibility for determining the amount of federal student assistance that a student receives directly under the control of the elected members of the Congress who have the responsibility for determining both the amounts of money expended annually for these programs, and the types and characteristics of families and students who should receive such assistance.

In addition to making these changes, the Congress also authorized the creation of the Advisory Committee on Student Financial Assistance whose charges, include the responsibility to:

(1) develop, review, and comment annually upon the system of needs analysis established under Section 411A through 411E and Part F of this title;

(2) monitor, apprise, and evaluate the effectiveness of student aid delivery and recommend improvements;

(3) recommend data collection needs and student information requirements which would improve access and choice for eligible students under this title and assist the Department of Education in improving the delivery of student aid and in assessing the impact of legislative and administrative policy proposals;

(4) review and comment upon, prior to promulgation, all regulations affecting programs under this title, including proposed regulations;

(5) recommend to the Congress and to the Secretary such studies, surveys, and analyses of student financial assistance programs, policies, and practices, including the special needs of low-income, disadvantaged, and nontraditional students, and the means by which the needs may be met, but nothing in this section shall authorize the committee to perform such studies, surveys, or analyses;

(6) review and comment upon standards by which financial need is measured in determining eligibility for Federal student assistance programs; and

(7) appraise the adequacies and deficiencies of current student financial aid information resources and services and evaluate the effectiveness of current student aid information programs.

Under this new structure, the actual responsibility for developing and modifying the need analysis formulas, used to distribute Title IV aid, has been placed directly under the control of the House and Senate education authorizing committees, with annual comment, advice, and recommendations provided by the Advisory Committee. Prior to 1986, the updating and

modifications of the formulas used to determine a student's need were established differently. The pervious law specifically defined those factors to be taken into consideration in the establishment of Pell Grant Program eligibility, but left the determination of financial need for the campus-based student aid primarily under the control of the Secretary of Education. The Secretary, in cooperation with representatives from the education community, who operated under the auspicious of the National Student Aid Coalition, met several times a year and annually modified and updated the need analysis formulas.

This structure in my opinion operated very successfully, since it provided a forum in which all of the primary parties could come together to review important need analysis and student aid delivery system issues. Additionally, the Coalition utilized a sub-group of individuals to evaluate the most technical aspects of the formulas and to perform simulations on proposed changes to help illustrate what the affects would be upon different sub-groups of the student aid filing population. Recommendations from this working technical group were then brought before the full coalition for review and possible adoption. Once a consensus had been reached by the full coalition, the proposed changes were then submitted to the Education Department. The Department then published the results and incorporated them into their "benchmark cases" which in turn were used to evaluate various systems for approval in determining need for federal student aid.

While the Coalition was sometimes criticized for being a self-appointed group, the fact was that meetings were open, a wide range of organizations were represented, and individuals with specific concerns were provided an opportunity to bring them forward for consideration. The Coalition, however did operate independently, and as such was not under the direct control of any branch of government or legislative body. While some may have viewed this structure as a weakness, I would suggest that it also helped to insure a certain amount of independence that helped shield the process from political or administrative manipulation. It is for this same reason, that I hope that the Student Aid Advisory Committee can continue to operate in a non-partisan, independent manner, which certainly has been the case so far.

3

Since most members of the financial aid community were familiar with and generally accepting of the Student Aid Coalition's structure and operations, it was only natural that when Congress decided to write the need analysis formulas into the law and place the responsibility for them with the Congress, that some people objected.

The fact is, however, that this decision was overwhelmingly approved by members in both the House and the Senate. Therefore, the responsibility of the Advisory Committee is to carefully evaluate the effects of the current system, and to make recommendations to Congress, when appropriate, for existing or apparent deficiencies in the system.

At its past two meetings, the Advisory Committee has begun to actively discharge its responsibilities to carefully consider issues which have arisen regarding need analysis and the delivery of student aid. During these meetings, the Committee has received oral as well as written comments from representatives of the Department of Education, national need analysis servicers, state agencies, and members of the student aid community. With this input, the Committee, at its April 7-8 meeting, took a series of actions which ranged from recommending to the Congress some modifications we believe are needed to the existing federal formulas, to identifying some additional issues that will require further study and analysis.

As background, let me note that prior to the passage of the Higher Education Amendments of 1986, the primary need analysis methodology used to determine a student's financial need for federal campus-based student aid, as well as for most state, private, and institutional sources of aid, was a system known as the Uniform Methodology. This methodology was an outgrowth of the work done by the National Task Force on Student Aid Problems (frequently called the Keppel Task Force, since it was chaired by former Commissioner of Education Francis Keppel), which was organized in May of 1974 when representatives of the College Entrance Examination Board brought together representatives of private foundations, postsecondary institutions, state student aid programs, and the Department of Education to garner support for a national review of the student aid delivery system. From this initial meeting, those individuals agreed to provide the initial

funding and organizational effort for the Task Force. Financial support was provided by the Carnegie Foundation of New York, the Ford Foundation, the Lilly Foundation, and the Alfred P. Sloan Foundation, and as such, no federal monies were involved. Following its formal organization, representatives of more than 26 educational associations and organizations directly involved in the administration and delivery of student financial aid, came together to see what could be done to improve the student aid delivery system. In particular, the areas examined included the analysis of student financial need, the development of a student common data form, and better methods for coordinating and managing student aid programs among the various parties. At that time, one of the primary concerns of the Task Force members was that there were varying standards being used to determine a student's and/or family's ability to pay for postsecondary education. These different standards or formulas which were all referred to as "need analysis" were often misunderstood. The Task Force also found that need analysis per se, or its analytical results, were often being used as a device to ration the available student aid funds through artificial or arbitrary decisions about the "need" the student and parents presented. As such, what frequently passed for "need analysis" was really "resource analysis." Therefore, the Task Force adopted the basic premise that "The results of need analysis should be an objective and equitable measurement of the actual amount of money needed by a particular student to successfully complete a program of study at a particular institution."

The Committee found that "Much of the confusion of students and their parents derived from their inability to understand how they could finance an education on the basis of awards made under artificially limited measurements of their need." Therefore, the Task Force recommended that "Estimates of parental contribution, student contribution, and student expense budgets should not be used as rationing devices," and that "efforts should be made to increase the level of funding available to student aid, but that until that was accomplished the need analysis system and procedures should not be used to make it appear that needs were being met when in fact they were not."

The Task Force also adopted as working principles, the following definitions to guide it in developing the Uniform Methodology.

(1) The determination of ability to pay is a process which involves the measurement of the economic well being or financial strength of the student and/or his or her family, and the subsequent determination of a contribution toward educational expenses through the application of some "taxation rate" to the measure of financial strength.

(2) The determination of program eligibility is the translation of the purpose for which a student aid program has been established (with explicit or implicit) into some measurable indicator of an academic, personal, or financial characteristic for the desired recipient or his or her family.

(3) The determination of financial need is a measurement of the specific amount of money needed by the individual student attending or planning to attend a particular postsecondary institution.

With these working definitions in mind, the Task Force set about developing a consensus model which has subsequently been used, with only minor modifications and updates, since the beginning of the 1976-77 academic year through the 1987-88 award year. I would like to note that while most of the features and procedures that were formally a part of the "Uniform Methodology" were also incorporated into the new formulas which now comprise the "Congressional Methodology," there are a number of significant changes included in the "Congressional Methodology" that have caused the mathematical results to be different for certain groups of students and parents. While some of the changes have had little effect on the overall "family contributions" produced by the formulas, others have made a significant difference for some students. Generally speaking, I would say that there are four primary changes that have resulted

in significant changes between the "Uniform Methodology" and the new "Congressional Methodology." These are:

(1) the use of base year rather than estimated year income in determining the student's contribution in the case of dependent students and in the analysis of dependent students;

(2) the taxation of dependent students' earnings;

(3) the removal of the room and board, and other living costs associated with independent students from the student expense budget which are now incorporated into the formula under a standard maintenance allowance, and

(4) the decision to treat independent students with dependents similarly to the way parents are treated in the dependent student model.

While each of these four changes were made for a number of reasons, they have resulted in both significant increases and decreases in the contributions for certain students.

Let me attempt to explain what I believe are the reasons for these changes, and also describe what the consequences are upon certain students.

First, let's review the use of "base year income" in the analysis versus the use of "estimated year income" in the determination of an independent student's need. For a number of years the Department of Education and others have been concerned about the reliability of the data used in determining student eligibility. While base year income has always been used in the formulas for calculating the parent's financial strength, estimated year income has been used for independent students. The difference was an attempt to try to have an appropriate estimate of the actual income all parties would have during the enrollment period. In the case of parents, their income does not usually change very much from year to year. Therefore, their prior years' income is used and can be verified with a copy of a tax return. In the case of independent students, however, estimated income was used because there were many cases in which the student was leaving a full-time job to return to school. In these instances, for independent students the

reliance on the base year income was in fact not a reasonable estimate of the actual resources available to them during their enrollment period. Therefore, the independent student analysis under the "Uniform Methodology" used estimated year income to determine the ability of the student to pay for his or her education.

There have always been criticisms of estimated year income. One is that it is difficult to penalize a student for making a wrong estimate. Another is there have been some studies which show that when asked to estimate their income for a coming year, students and parents from lower income families have tended to overestimate the amount of resources they will have, whereas students from more affluent families are likely to underestimate their actual income. Nevertheless, the Congress was persuaded during the reauthorization hearings to move to base year income for both parents and students in the dependent model, as well as in the independent student analysis. For many of these independent students we now have an income figure which can be verified by a tax return, but unfortunately it is a figure which is meaningless in terms of what the student will actually have to help pay for college during the next year. For a student who was previously working full-time, and now leaves that job to go back to school, by looking at their prior year income and assuming they have all these resources, the student, at least during their first year, will in all likelihood be judged to have a higher contribution than what they actually have for the next year. If the student can document to the financial aid administrator that he or she does not have this money, then the aid administrator can under the new law, exercise his or her professional judgment to make an adjustment in the analysis. In subsequent years of study, assuming the student's family financial circumstances do not change, the use of base year income will be less disruptive and perhaps more reliable than utilizing an estimate.

Still, reaction to this change by the financial aid community has been somewhat mixed. Some would argue it is more appropriate to use estimated year income and then attempt to verify and monitor the student's actual earning as the year progresses. Others would suggest it is better to

use the base year and make adjustments when the student first enrolls and then to rely upon this data thereafter. Needless to say, neither of these approaches is perfect.

The second major change which is causing significant increases in the contributions of most dependent students is the way student's prior year earnings are treated. Under the new "Congressional Methodology," the fundamental concept which was previously contained in the "Uniform Methodology" which assumed that each student to their ability should be required to contribute something to help cover the cost of the education. Therefore, all students are expected to contribute something towards their cost of education. In the case of a dependent student, the minimum expected amount for a freshman student is a contribution of $700 and $900 for upperclassmen. The new methodology, however also looks back to the student's base year income and after allowing a deduction for taxes, applies a taxation rate of 70 percent against the student's prior year earnings as an expectation of what they should be able to contribute. This means that for any dependent student who had a part-time job or higher earnings during his/her prior school year, 70 percent of that amount of money (unless it was earned under College Work-Study) is now expected to be available as a portion of the student's contribution for the coming year. For students with incomes high enough to be taxed by the marginal rate of 70 percent, we are seeing significant increases in their expected student contributions. Based on analyses which have been done by the National Need Analysis Services, it appears that this change effects slightly more than 40 percent of all dependent students, and has the effect of increasing their average contributions from approximately $850 to more than $2,300. For many of these students, their eligibility this year has decreased from between $1,200 to $1,600. Therefore, students who are renewal applicants are very surprised and upset to learn that even though their parents' incomes have not changed dramatically from last year, that their eligibility has declined because of their own earnings.

Further complicating this issue, is that for students for whom the marginal rate of 70% is used, the actual amount of prior year income that is assessed could be 105%. The reason for this

is that if any portion of the prior year's income is placed into a savings account then that amount is recorded and taxed again at a 35% rate as an available asset. Therefore, the current formula for many dependent students not only assesses them at a much higher self-help contribution level than previously existed, but it tends to double count prior year earnings that are saved for the coming year.

This change in my opinion is why all of us are receiving some complaints from "dependent students" and their families.

The results produced by the "Congressional Methodology" on the assessment of parents' income and assets is similar to the results previously yielded under the "Uniform Methodology". The general exception to this statement is that for higher income parents, contributions have increased. However, the reason for the change is more a function of tax reform changes than because of changes in the "Congressional Methodology".

The results produced by the new methodology on the assessment of the dependent student earnings and assets has increased significantly for over 40% of that population.

The third major change, that has caused some problem for independent students is the removal of room, board and other living expenses from their student expense budget and the incorporation of them into a standard maintenance allowance in the formula. Previously for independent students with dependents, each institution was charged with the responsibility for establishing a realistic student expense budget which included adequate allowance to cover the basic living expenses of the student and their dependents, plus the additional amounts associated with obtaining the student's education.

While most schools did this appropriately, there were wide differences at some institutions. Therefore, during reauthorization the decision was made to establish a standard maintenance allowance into the formula, to offset living costs associated with the maintenance of an independent student and his or her family, and to eliminate these items from the institution's student expense budget.

While the concept of providing some consistency for all independent students with dependents is sound, a problem arises when the student's income is less than the standard maintenance allowance. For example, if you have two identical families, consisting of a single parent and two elementary school age children,, the standard maintenance allowance for both is $10,440. If the first parent earns $7000 a year and the second earns $12,000 a year then they have a $5,000 difference in available resources. However, under the formula both are provided an offset from their income, a standard maintenance allowance of $10,440. As such, the first parent does not have sufficient earnings to cover the full amount associated with this allowance and therefore has a gap of $3,440 which is not allowable as a part of the student expense budget, while the second parent has the resources to cover this expense.

Fortunately this issue has now been corrected, primarily due to intervention by Congressman William D. Ford, a long standing member and former Chairman of this Subcommittee, and Senator Paul Simon, both of whom wrote to Education Secretary William Bennett earlier this year, about the Department's interpretation of the formula and what is allowable in the cost-of-attendance. As such, the Department has now modified its earlier position, and institution now can include the differences between the standard maintenance allowances and the "gap" in income into their cost-of-attendance calculations. This change in interpretation, however, was only announced in late May, and therefore, some confusion may continue to exist.

The fourth significant change, was the decision to treat independent students with dependents, similarly to the way that parents are evaluated in the dependent student model.

This was a major policy change that was requested by many organizations and groups during the reauthorization hearings. It was their belief that an independent student who had dependent children of their own to care for, should receive the same treatment in evaluating their ability-to-pay as was being afforded to parents in the dependent model. Most of these groups, however, felt that if the student's only dependent was a spouse that they should be expected to contribute a significantly higher portion of their earnings towards paying for the cost of their education. The

law was changed, but it provided all of the same allowance and protections afforded to parents in the department model, to an independent student with dependents regardless of whether the dependent is a spouse or a dependent child. As such the expected contributions for independent students with dependents in the "Congressional Methodology" have been reduced significantly, from what they previously were under the "Uniform Methodology".

From discussions we have had with our members, most people belief that it is appropriate to evaluate independent students, who have dependent children for whom they are responsible, in this manner, but they believe that an independent student with only a spouse should be expected to contribute far more of their resources towards paying for their education. Obviously, this is a policy decision that different people feel differently about, however, the affect of the current "Congressional Methodology" upon these students has made nearly all of them fully eligible for most forms of financial aid.

Therefore, because of the four issues I have described, I think that you need to be aware that overall the "Congressional Methodology" is shifting more of the federal student aid dollars away from "dependent students" towards "independent students" and in particular those "independent students with dependents".

Whether or not these changes are good or bad can perhaps only be assessed over time, but in the short term they are causing some significant shifts in the financial need expectations of different groups of students.

While most people, including the members of the Advisory Committee on Student Financial Assistance, are concerned about the shifts, it is difficult to evaluate the cumulative effects at this time. Therefore, rather than proposing major changes, the Advisory Committee decided to only recommend four immediate changes to the existing need analysis for the 1989-90 academic year. These recommendations are to:

- Make minor modifications to the independent student definition to eliminate confusion concerning the years in which must be demonstrated, simplify the definition without

significant impact, and avoid large numbers of students automatically becoming independent in their third and fourth years of educational study;

- Explicitly permit aid administrators to use professional judgment to assist low income independent students with families, whose income is less than the Congressional Methodology's standard maintenance allowance, by adjusting cost of attendance;
- Eliminate veteran's benefits from the Pell Grant Family Contribution Schedule and the Congressional Methodology and consider such benefits as resources in order to ensure consistency in the treatment and simplify the administration of these benefits; and
- Eliminate inconsistencies in the Higher Education Act and regulations that could result in double-counting academic-year student earnings as resources for the academic year they are earned and base year income in the following year by treating all non-need-based earnings as base year income for the next academic year.

While the second recommendation has already been addressed by the Secretary's recent change in policy, we believe that legislative language should be added to avoid such misinterpretation in the future.

We would also note, that we are at a critical point in the delivery system cycle and that in fact the 1989-90 application forms are in final clearance within the Education Department. Therefore, unless these changes are finalized within the next thirty days or less, they will have to be delayed until 1990-91 award year.

The Advisory Committee meanwhile plans to continue to carefully study the following six issues over the course of the next year and to report to Congress as each of our analyses is completed. These issues are:

- The number, type, costs, and effects on students of multiple data entry processors;
- The practice of institutional lending;
- The Secretary's and other proposals to simplify need analysis;
- The potential effects of the Secretary's default initiative;

- The redistributional and delivery system effects of the Congressional Methodology; and
- The degree to which student aid programs serve and benefit various student subpopulations.

Before closing my statement let me also identify a couple of additional issues that are of concern to NASFAA members.

The Congressional Methodology does reflect a policy change in the dependent model, which differs from the Uniform Methodology. This change relates to the treatment of parents enrolled in college. The Uniform Methodology was changed effective for 1984-85 to eliminate a reduction in the family contribution for a parent who was enrolled in college. The reasons cited for the change at that time were:

1) that more and more parents were enrolling in very low cost institutions and that reducing their contribution in those cases distorted the measurement of their ability to pay,
2) that low income families receive virtually no benefit from this treatment, since in most cases it is parents form higher income families who enroll in college, and
3) that the number in college adjustment was the same regardless of whether the parent was enrolled for only one course or full time, or whether the parent was enrolled in a degree or certificate program or was simply taking a social enrichment course.

NASFAA Members recognize that there are legitimate reasons for some parents to enroll in postsecondary education. They believe, however, that the same eligibility criteria assigned to students should also apply to parents in terms of the number in college adjustment. NASFAA recommends therefore, that such an adjustment only apply to parents enrolled at least half-time in a degree or certificate program.

Another issue of concern to NASFAA Members relates to the Simplified Needs Test implemented as a result of Reauthorization. NASFAA applauds Congress' efforts to simplify the need analysis process for low income families. There are however several problems related to the

simplification currently outlined in the statute. First, reporting of taxable portions of grants and scholarships, as required by the Tax Reform Act of 1986, must be done on the IRS Form 1040. Filing of a Form 1040, however, precludes the use of the Simplified Need Test. Therefore many of the low income families, the Simplified Test was designed to assist, are prohibited from using it because they received need-based aid, portions of which are now taxable, in the previous calendar year.

Secondly, the criteria for qualifying for a simple needs test are not simple. The family adjusted gross income (student's plus the parents') must not exceed $15,000 and both the student and the parent must have filed a Form 1040A, 1040EZ, or not filed a tax return. It would be much easier for families to determine if they meet the $15,000 criteria if only the parents' income were considered for dependent students. The determination and the form could be simplified substantially if the simple form/needs test were restricted to non-tax filers. In that event, those qualifying could be directed around the tax return questions entirely.

The simple needs test is the same as the regular Congressional Methodology except that it excludes assets (both parents' and students's), makes no allowance for medical/dental or elementary and secondary tuition expenses, and excludes veterans benefits. While it may appear advantageous to exclude considerations of assets, it may be detrimental to the family when compared to the regular Congressional Methodology results.

The regular Congressional Methodology considers assets as contributing to or detracting from the financial strength represented by income. From net assets is subtracted an Asset Protection Allowance. If the result of this subtraction is positive, assets are considered to add to financial strength and a positive income supplement is added to income. This normally will result in an increase in expected family contribution. If the result of this subtraction is negative, however, a negative income supplement is used and the expected family contribution will normally decrease. Since the simple needs test excludes assets, it also excludes the possibility that a low asset situation may reduce the contribution from income.

The problems with the current simple form/needs test criteria are that it is often difficult for a family to determine whether they qualify and, having made that determination, even more difficult to determine whether it will work to their advantage or disadvantage.

There is also some concern that while a $15,000 income is low for a family, it is not an insignificant amount for independent students without dependent children.

We would encourage the Congress to continue its efforts toward simplification and would be happy to work with the Committee to devise a process that is fair and equitable.

Again, I appreciate the opportunity to discuss these important issues. I will be happy to answer any questions you might have.

Mr. WILLIAMS. Mr. Fitzgerald, you have no statement?

Mr. FITZGERALD. In light of the time and the temperature, I'll forego a statement.

Mr. WILLIAMS. Mrs. Roukema.

Mrs. ROUKEMA. I really have no questions for you, Mr. Martin. I think you have very eruditely summarized the problem and more than that, you have given us some specific recommendations that I think might feasibly be accommodated in the foreseeable future. Whether or not it could be conducted by staff in such a way that we could make some regulatory or changes for that 1989–1990 year in terms of formula, rather than legislative changes, I don't know. But that would be a very useful thing to come out of this hearing in terms of the specifics as you have outlined them.

Mr. MARTIN. I would really be happy to, both Mr. Fitzgerald and his full staff of one and the rest of us on the Advisory Committee, along with my staff, we would be happy to try and work that out and work with your staff on both sides of the committee to do that.

Mr. ROUKEMA. I think the case has strongly been made for certain of these things where there is obvious consensus and it would be a shame for us to lose a whole year, if that weren't necessary.

So I thank you for your testimony. You have put things in a good focus for us.

Mr. WILLIAMS. Mr. Hayes.

Mr. HAYES. For the same reason as stated by Mr. Fitzgerald, I'll forego any questions.

Mr. WILLIAMS. Mr. Martin or Mr. Fitzgerald, there are, as you know, a number of complaints about the complexity of the application itself and the application process, including its expense.

Is the Advisory Committee considering that on its agenda? Mr. Fitzgerald?

Mr. FITZGERALD. Yes, Mr. Chairman. We were considering it from two different perspectives. As you know the legislation charged us with examining the issue of multiple data entry processors for the Pell Grant program. That issue is integral to the question of the structure of getting applications into the Pell process.

That affects not only the nature of the form itself, with the potential for multiple forms being filled out, but also the expense related to the student. In fact, the student may have to pay $6, $8, $15 to process the form through one of these and have it shipped on to Pell. We will be addressing that very straight forwardly.

In addition, we will be looking at the issue of complexity from a very different perspective. The complexity in the student aid programs is really driven by the nature of the programs and formulas. For example, the Congressional Methodology, the Pell family contribution schedule. Two separate formulas, very long and complex, relying on a great deal of data, will result inevitably in complexity. One of the agenda items that the very diverse committee membership has decided that it would like to look at is the issue of simplification and I think for many of the members, traditionally simplification has meant tinkering with the formulas to shorten them, but I think many committee members are interested in looking at simplification much more comprehensively to extend well into the delivery system and to focus on students and parents getting

through that process efficiently. So, yes, we will be looking at the issue of complexity from two different perspective.

Mr. WILLIAMS. Could the indicators, within the formula, be structured in such a way that the institution itself, that is the postsecondary institution, could make determinations on eligibility on site?

Mr. MARTIN. I would think that it's very possible. I think, particularly for renewal students, it's very easy to do. I'm not saying you can't do it with initial students too, but certainly there's a difference if students are shopping around. But for renewal students, it's very easy.

You got most of the information, number one, it doesn't change, people's birth date and Social Security numbers and all that isn't changed, so if you plug it in, I could have somebody sit on a terminal and take just a few pieces of the information, plug it in, have the formula in, it's a mathematical formula, have it calculated and it's done.

Mr. WILLIAMS. We appreciate your help today and we thank you, Mrs. Roukema, for your leadership in raising this important issue with the committee. Mr. Hayes, we thank you for traveling with us to be at this hearing and Mr. Petri who had to leave early.

We have enjoyed New Jersey hospitality, if not heat, and——

Mrs. ROUKEMA. Sorry about that. I ordered something better.

Mr. Chairman, I want to publicly thank you for, not only your cooperation in coming here to New Jersey, but I think that you have been doing an outstanding job this year in your tenure as Chairman of the committee through a number of seminars, the Belmont Task Force and now this field hearing.

So we have a great debt of gratitude to you even though we might not see eye to eye on all those budgetary matters.

Mr. WILLIAMS. Thank you. The hearing is adjourned.

[Whereupon, at 4:05 p.m., the subcommittee was adjourned.]



87-984 (100)